

**Office of the Governor
Division of Administration**



Office of Risk Management

Annual Report

June 30, 2004



Table of Contents

Office Profile.....	2
Organizational Chart	3
Office Directory	4
Managerial Staff	5
Achievements.....	6
Accounting.....	6
Claims.....	7
Loss Prevention	9
Underwriting	10
Cash Expenditures by Budget Program	12
Cash Expenditures by Line of Insurance.....	13
Budget.....	14
Cash Balance.....	15
Fund Equity	16
Premiums Collected	17
Interest Earnings vs Administrative Cost.....	18
Premium Comparison & Program Savings.....	19
Statement of Actuarial Opinion.....	20
Statement of Actuarial Opinion(continued)	21
Financial Statements.....	22
Auto Liability.....	23
Auto Liability.....	24
Auto Physical Damage	25
Auto Physical Damage	26
Bonds and Crime	27
Bonds and Crime	28
Workers Comp and Maritime.....	29
Workers Comp and Maritime.....	30
Property.....	31
Property.....	32
General Liability	33
General Liability	34
Personal Injury	35
Personal Injury	36
Marine, Aviation, and Boiler & Machinery.....	37
Marine, Aviation and Boiler & Machinery.....	38
Medical Malpractice.....	39
Medical Malpractice.....	40
Road Hazards	41
Road Hazards	42
Road Hazards	43
Miscellaneous	44
Notes to Financial Statements	45

Office Profile

Mission Statement

The mission of the Office of Risk Management (ORM) is to develop, direct, achieve and administer a cost effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the State of Louisiana.

History

The Office of Risk Management was created within the Division of Administration by R.S. 39:1527, et seq., in order to provide a comprehensive risk management program for the state.

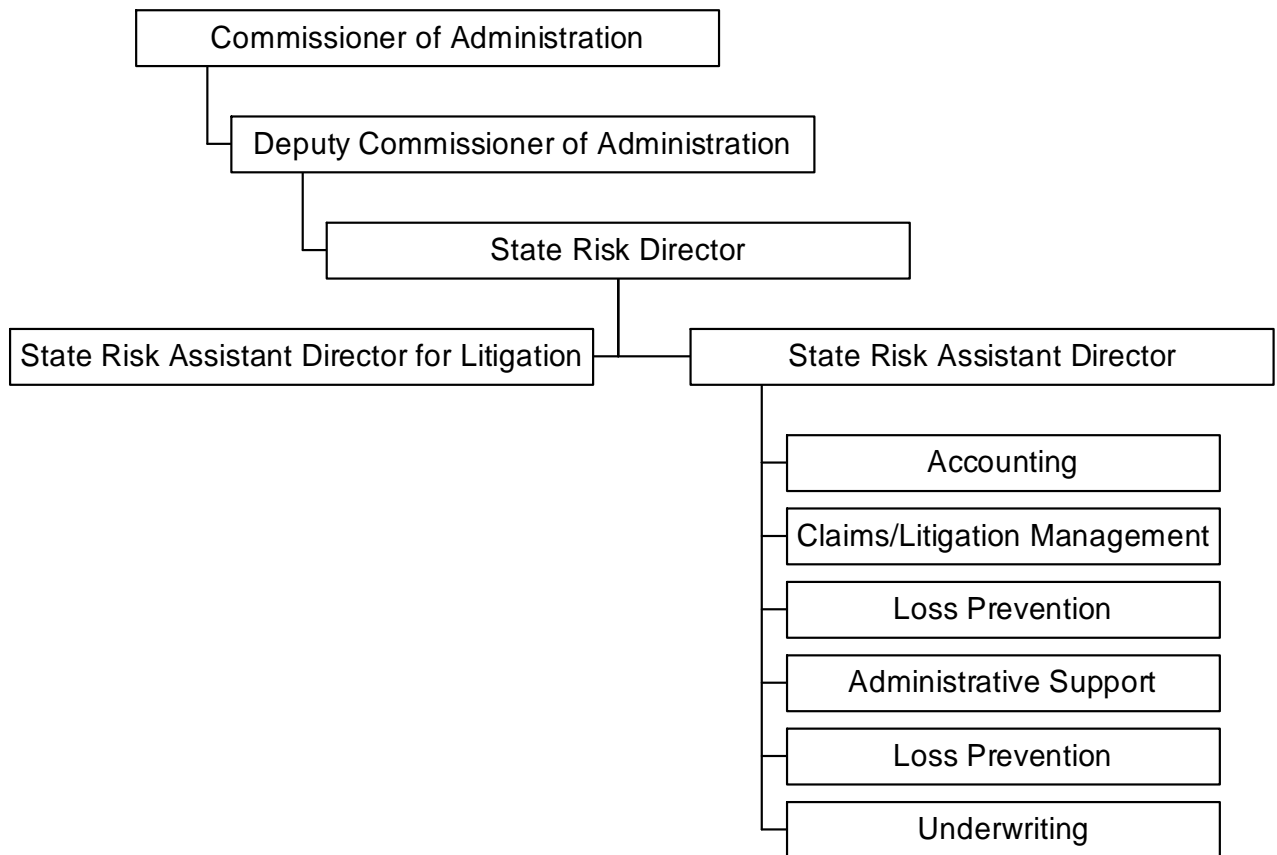
Coverages Provided

R.S. 39:1527, et seq., further designates the Office of Risk Management to be solely responsible for all Property and Casualty and Worker's Compensation insurance purchased by ORM or self-insured by ORM for all State departments, agencies, boards, and commissions.

The Office of Risk Management provides Workers' Compensation coverage to all of the State's approximately 104,277 employees. Coverage is provided for State property valued at \$7,312,779,745. ORM also provides coverage for employee bonds, crime, automobile liability and physical damage, comprehensive general liability, personal injury liability, boiler and machinery, medical malpractice, road hazards and miscellaneous tort coverage for those tort claims not otherwise covered.

Other coverages are provided, as needed, such as excess over self-insurance, specific excess for crime, aviation, wet marine, and bridge property damage.

Organizational Chart



Office Directory

MAIN OFFICE

Mailing Address

P.O. Box 94095
Baton Rouge, LA 70804-9095

MAIN OFFICE

Location Address

1201 N. 3rd Street, Room G-192
Baton Rouge, LA 70802

Loss Prevention Branch Offices

Belle Chase

C/O Metropolitan Development Center
251 F. Edward Hebert Blvd.
Room 65, Administration Bldg.
Belle Chase, LA 70037
(504) 394-1200 Ext. 296

Lafayette

101 Rue Iberville, Suite 103
Lafayette, LA 70508
(504) 262-5580

Luling

107 Maryland Drive, Suite C
Luling, LA 70070
(504) 785-1846

Monroe

122 St. John Street
Post Office Box 1661
Monroe, LA 71210-1661
(318) 362-3308

Pineville

Suite 102, Euclid Street
Pineville, LA 71360
(318) 487-5014

Shreveport

State Office Building
1525 Fairfield Ave., Box 2
P.O. Box 37631
Shreveport, LA 71133-7631
(504) 676-7647

Claims Branch Offices

Kenner

Airport Commerce Center
1919 Veteran's Blvd.
Suite 301
Kenner, LA 70065
(504) 471-2739

Lafayette

101 Rue Iberville, Suite 103
Lafayette, LA 70508
(504) 262-5113

Monroe

122 St. John Street
Post Office Box 1661
Monroe, LA 71210-1661
(318) 362-3307

New Orleans

1541 Tulane Avenue
Butterworth Building, Room 111
New Orleans, LA 70140
(504) 568-6825

Pineville

Suite 102, Euclid Street
Pineville, LA 71360
(318) 487-5701

Shreveport

State Office Building
1525 Fairfield Ave., Box 2
P.O. Box 37631
Shreveport, LA 71133-7631
(504) 676-7649

Actuary

Tillinghast-Towers Perrin
1200 Riverplace Boulevard
Suite 610
Jacksonville, FL 32207-1803
Telephone: (904) 398-5661
Fax: (904) 399-8267

Managerial Staff

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State Risk Director
bud.thompson@la.gov
(225) 342-8412

Patricia H. Reed
State Risk Assistant Director
pat.reed@la.gov
(225) 342-1221

Jack Young
State Risk Assistant Director for Litigation
jack.young@la.gov
(225) 219-0184

Ann Wax
State Risk Claims Officer
ann.wax@la.gov
(225) 219-0012

Tom Averett
Accountant Administrator
tom.averett@la.gov
(225) 342-8427

Pam Whiteside
Information Technology Liaison Officer Manager
pam.whiteside@la.gov
(225) 219-0011

Tommy Arbour
State Risk Underwriting Manager
tommy.arbour@la.gov
(225) 342-8472

Brett Beoubay
State Risk Loss Prevention Manager
brett.beoubay@la.gov
(225) 342-8532

Achievements

Accounting

The Accounting Unit of the Office of Risk Management has completed another successful year and continues to provide management with accurate, timely, fiscal data to enable and enhance the decision making process.

In addition to the routine daily activities that support the functions listed below, the Accounting Unit officer and managers were involved in providing specialized information and analyses for the Director, Commissioner, Assistant Commissioner and on an "as needed" basis for the Division of Administration, Office of State Planning and Budget, Joint Legislative Committee on the Budget, Legislative Fiscal Office and other agencies statewide.

- Cash Management of \$156 million
- Accounts Payable
- Accounts Receivable
- Fixed Asset Management
- Payroll processing for 131 employees
- Imprest Fund System
- Bank Reconciliation for approximately 7000 checks monthly
- Cost Accounting and Analyses
- Monitoring and Quality Control on Claims Management System
- Budget Preparation for total budget of \$174 million
- Budget Monitoring by cost center (monthly) on 23 cost centers
- Actuarial Reporting on 15 lines of self-insurance for claim reserves (liabilities) totaling in excess of \$1.1 billion
- Maintenance of a computerized accrual Accounting System for financial reporting of 18 lines of insurance for managerial purposes and a modified accrual basis system for state wide financial reporting
- Billing documents for each of the approximately 200 state billing entities on ISIS
- Processing of all travel expense reports
- Assisting with Premium Development on 15 lines of self-insurance
- Processing Litigation Division/Department of Justice payments and entry to Claims System
- Distribution of approximately 7000 checks per month
- Payment of approximately \$17 million for contract legal services and \$3.9 million for contract investigative/adjusting services

Claims

WORKERS COMP

Second Injury Fund Recovery: \$2,746,492.27
Subrogation Recovery: \$1,483,282.76 (\$711,860.95 For WC / \$711,421.81 For All Other Lines Of Coverage)
Excess Carrier Recovery: \$262,110.30
Medical Fee Schedule Savings: \$6,846,733.43

Claims Opened: 5207
Claims Closed: 6094

Transitional Duty Employment:
--Number Of Referrals: 623
--Number Of Referrals Returned To Work: 313
--Percentage Of Referrals Returned To Work: 51%

A review of the state office of risk management for the state of Texas indicates the state of Texas has a similar workers' comp program to that of Louisiana. Texas' cost containment efforts include medical bill review, utilization review and subrogation recovery.

MEDICAL MALPRACTICE

New Claims Medical Malpractice	303
Pending claims as of 6-30-2004	1,328
Number of settlements	82
Amount of Settlements	\$15,216,569

Medical Malpractice is part of the Hepatitis C task force, a group of defense attorneys and insurance adjusters monitoring national class actions cases involving the allegation that blood transfusions received years ago resulted in Hepatitis C. A big victory was attained this year when the Judge granted the defendant's partial Motion for Summary Judgment as to the correctness of a defendant class action. Now each plaintiff is forced to pursue a claim in the parish where the transfusion occurred. There is also the issue of whether the three year prescription period is constitutional. This is pending before the Supreme Court.

During fiscal 2004 (7/01/2003 through 6/30/2004) the Medical Malpractice Unit assigned 50 cases for either record review and/or investigation. Of those 50 cases, 46 were paid for a total of \$79,320.44, yielding an average payment \$1724.36 per case.

Medical Malpractice reform legislation in other states has reduced the amount of the non-economic damage award to \$250,000. California passed legislation in 1976 that has saved considerable amounts in awards and insurance premiums. Texas recently passed legislation to set a cap of \$250,000 for non-economic damages against a single

institution and a \$500,000 cap on all health-care institutions combined.. Other provisions are similar to recent changes in Louisiana, such as the requirement of a plaintiff to provide an expert to attest to malpractice. Louisiana requires a filing fee of \$100 per named defendant which is waived if plaintiff provides a doctors report regarding malpractice. Texas requires that a statement be provided in all cases within four months of filing suit. This prevents lawyers from dragging out frivolous lawsuits.

Pennsylvania passed a modification of the collateral source rule, prohibiting “double-dipping,” whereby claimants cannot recover damages for past medical bills and past lost wages when they have been reimbursed by collateral sources such as private health insurance or workers compensation.

Periodic payment of future medical bills with reduction to present worth for future work loss, which replaces large lump-sum damage payments for awards over \$100,000 with the ability to pay in installments through an interest-earning annuity.

GENERAL LIABILITY

New Claims General Liability	
Pending Claims CGL as of 6-30-2004	1,089
Pending Claims Personal Injury	1,108
Number of settlements	121
Amount of Settlements	\$7,743,642

General Liability assigned 50 claims to outside adjusters in 2003-2004. This is 59 cases less that the previous year. We are fully staffed and the adjusters are handling some of their own investigations.

In five (5) cases where the settlement demand was high from \$100,000 to \$1,750,000 we were successful in obtaining a zero verdict in trial. In two other cases the settlement was less than 20% of the demand. All cases were defended by DRL attorneys.

In Florida, the General Liability section contracts with six structured settlement companies to provide assistance in settling large cases which has proven cost effective while also allowing appropriate damages to be paid on a claim. Commercial insurance is purchased to pay for the risk of court-awarded attorney fees. Legal costs required on claims are added to the total cost of each claim and this is allocated to the particular state agency. This information is used to compute the agency’s share of the funds appropriated to the Program.

ROAD HAZARDS

In the Road Hazards Unit, we have continued the ORM/LSP Accident Reconstruction Program with success. During the 2003-2004 fiscal year, ORM, the LSP and the La. DOTD investigated 212 highway crashes on state highways. Since the inception of this

program, 1,737 pre-litigation highway crash investigations have been conducted. Of these crashes, 101 claims have been filed against the La. Dept. of Transportation and Development. Six (6) of these claims were closed (two (2) claims settled at mediation and four (4) claims closed without payment for damages). The Office of Risk Management, Office of the Attorney General, La. Department of Transportation and Development, Louisiana State Police and the Louisiana Highway Safety Commission continue to meet to discuss Highway Tort issues, discuss problems and possible solutions. Coordinated efforts between the agencies resulted in the correction of numerous roadway deficiencies statewide. During this fiscal year, the Office of Risk Management funded the training of State Troopers and local law enforcement personnel in the field of accident reconstruction.

The ORM/LSP Accident Reconstruction Program has enabled the State of Louisiana to evaluate exposure to the state during the early stages of litigation. This has significantly reduced the dollars spent on the defense of these claims and allowed us to dispose of the claims in an efficient and effective manner.

Pennsylvania passed a modification of the collateral source rule, prohibiting “double-dipping,” whereby claimants cannot recover damages for past medical bills and past lost wages when they have been reimbursed by collateral sources such as private health insurance or workers compensation.

Periodic payment of future medical bills with reduction to present worth for future work loss, which replaces large lump-sum damage payments for awards over \$100,000 with the ability to pay in installments through an interest-earning annuity.

Loss Prevention

Fiscal year July 1, 2003 – June 30, 2004 continued to be a very productive and rewarding year for the Unit. Following the revision of Louisiana Revised Statutes 39:1536-43 in 2000 to allow the Office of Risk Management to credit or charge agencies 5% of their annual premium following the annual Loss Prevention Audit, all Departments continue to maintain a Loss Prevention Program. The Unit audited 237 audit locations with 230 or 97% that passed.

The Interagency Advisory Council continues to meet quarterly to provide the Departments with information regarding current events at the Office of Risk Management. One or more representatives from each Department attends the meeting to discuss any matter relating to the state’s self-insured program.. Speakers are from the various units of ORM and discuss items of importance to the Departments. Private companies provide new information to the council to assist them in maintaining the highest standards of insurance and loss control.

“Workplace Safety” courses continued to provide the agencies with the information necessary to pass the Loss Prevention Audit and to assist them in rendering a safe

workplace for employees. Topics taught include Accident Investigation, Asbestos Awareness, Bloodborne Pathogens, Boater Safety (with WL& F), Bonds, Crime and Other Exposures, Confined Space Entry, Developing Effective Safety Meetings, Driver Safety, Drug Testing and Substance Abuse, Electrical Safety, Emergency Preparedness, Employment Practice Liability, Ergonomics in the Workplace, Fire Safety, Forklift Safety, Fundamentals of Boiler Operation and Maintenance (with Hartford), Hand Tool Training, Hazard Communication, Hazardous Materials, Indoor Air Quality, Job Safety Analysis, Laboratory Safety, Lock-Out Tag-Out, The Loss Prevention Program, Material Safety Data Sheets, Preventing a Hostile Work Environment, Respiratory Protection, Safety Inspections, Safety Meetings, Safety Motivation, Security Awareness, Supervisor Responsibility, Tuberculosis, Violence in the Workplace and Workplace Threats. The defensive driving program, Next Step Coaching, is still used to train all state employees.

The State Land and Building System (SLABS) is the program that allows the Loss Prevention Unit to update all buildings in a five year (5) period. There are approximately eight thousand eight hundred ninety four (8,894) state owned structures with replacement values in excess of six-billion five hundred thirty five million (\$6,535,528,735) dollars. Replacement cost of the non state owned buildings exceeds one hundred seventeen million three hundred thousand (\$117,306,901).

Loss Prevention maintains and loans approximately three hundred (300) safety videos for use by all agencies to assist them in their loss prevention program.

Underwriting

2003 continued as a relatively hard insurance market because of the events of 2001. Renewals of all insurance coverages for governmental entities continue to be very expensive. Terrorism exclusion endorsements continue industry-wide along all lines of insurance.

After extensive research and claim losses versus premium evaluations, ORM determined that it would be more cost effective to completely self-insure specific liability coverages rather than purchase the excess coverage commercially. These coverages include 1) Aviation Hull and Liability, 2) Airport, and 3) Employee Blanket Dishonesty Bond. ORM saved \$1,412,000 in commercial premiums with this decision. Additionally, ORM discontinued providing builder's risk coverage on construction projects commencing on or after July 1, 2003. The contractors were required to provide the coverage as part of each construction contract.

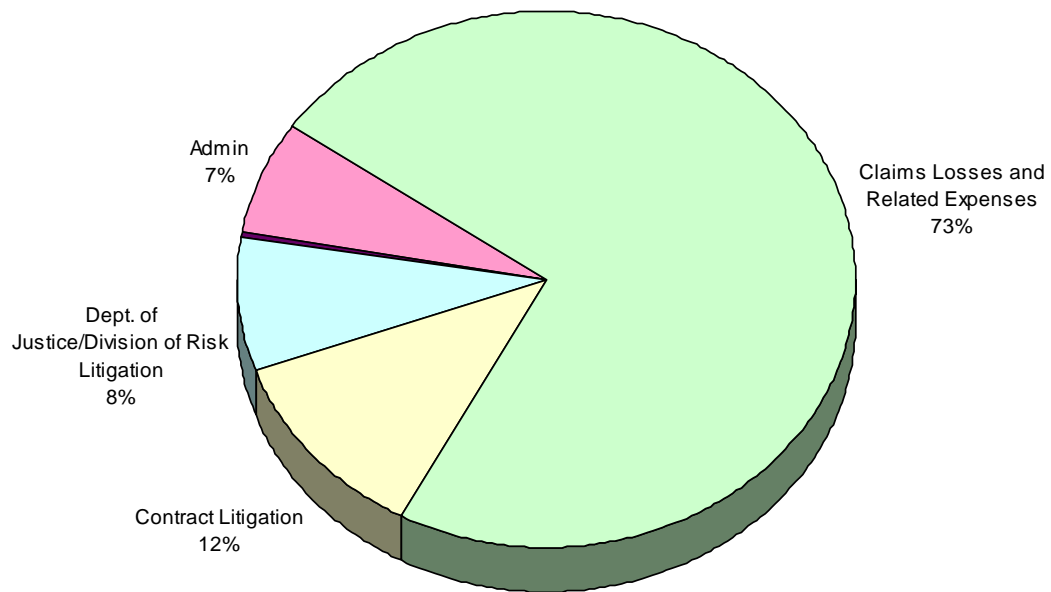
With much negotiation, the excess liability lines of insurance were renewed at the same rates for July 1, 2003. It is extremely beneficial to the State when coverages are continued at the same rates; large premium increases are avoided when they do not have to be re-bid.

Effective July 1, 2003, ORM was successful in procuring excess property coverage thereby reducing the blanket property self-insurance retention from \$50,000,000 to \$25,000,000 (with the exception of the perils of flood and earthquake). The reduction in the self-insurance retention and \$550,000,000 additional excess property coverage was obtained at an annual cost of \$7,954,176. Excess bridge property damage coverage (including terrorism coverage) on the Greater New Orleans bridges was procured at an annual cost of \$1,377,987.

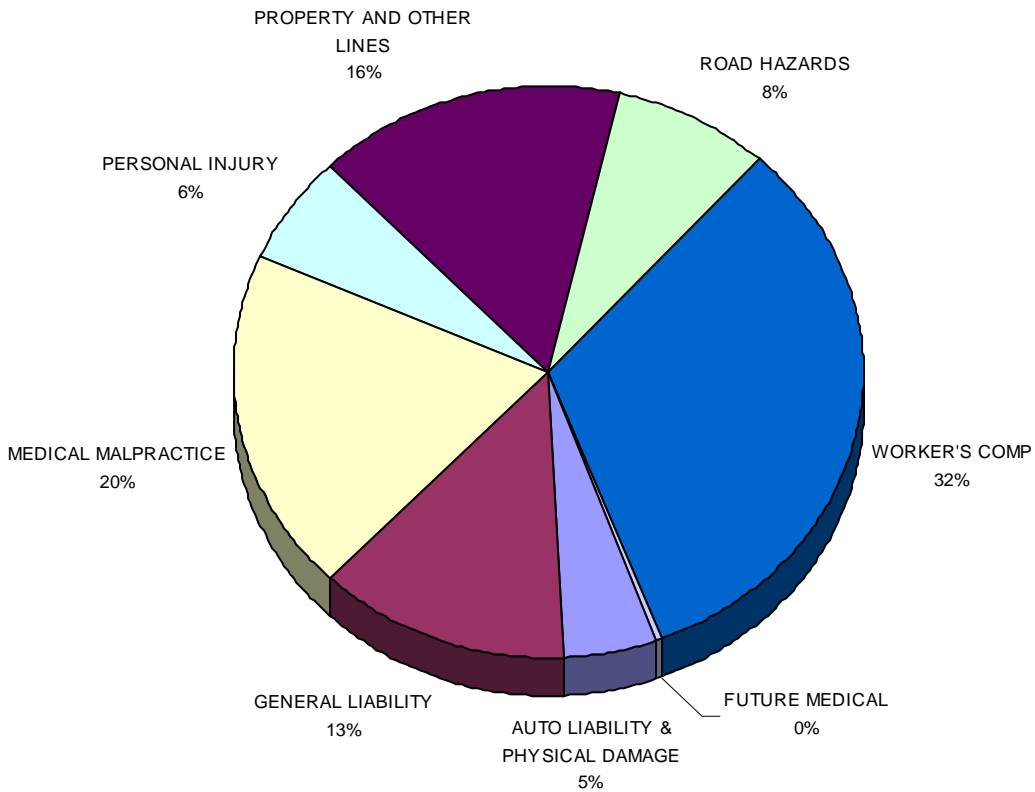
Workers' compensation coverage and crime coverage for the Superdome were re-bid with minor increases in premium for July 1, 2003. The workers' compensation premium went from \$399,439 in FY 2002-03 to only \$465,100 in FY 2003-04. The Superdome crime coverage premium went from \$20,918 for FY 2003-04 as opposed to \$18,430 in FY 2002-03.

ORM continues to improve service to the agencies. During this fiscal year, the bond exposure report was simplified and converted to an online application. The quarterly risk exposure report continues as an online reporting system. These changes have resulted in faster and more efficient exposure data collection from the agencies.

Cash Expenditures by Budget Program

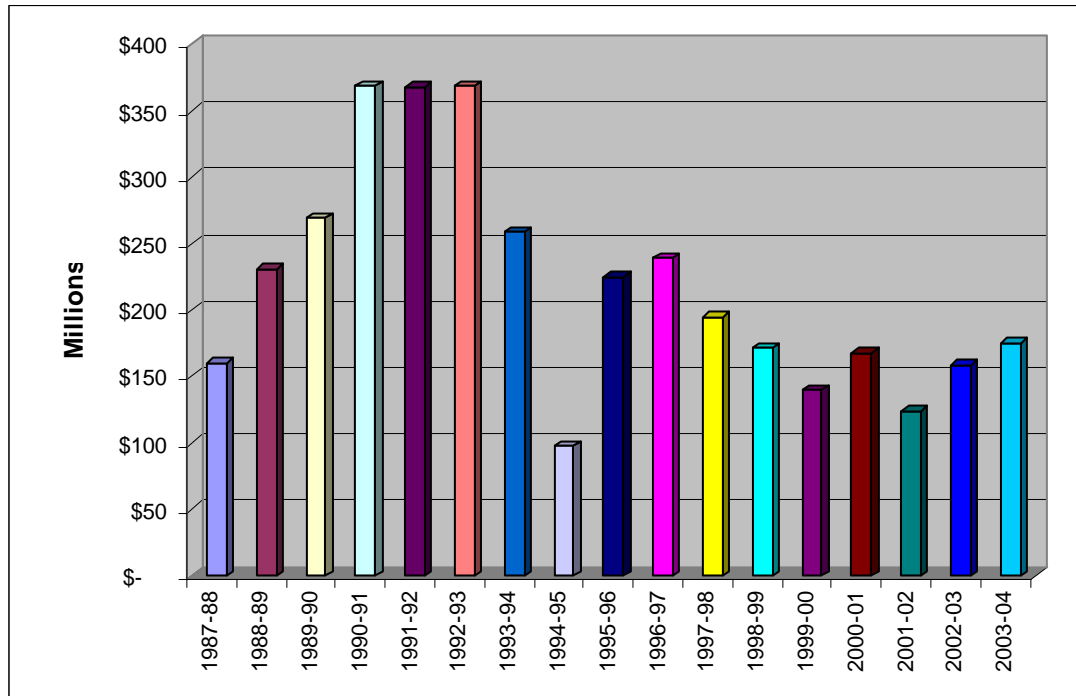


Cash Expenditures by Line of Insurance



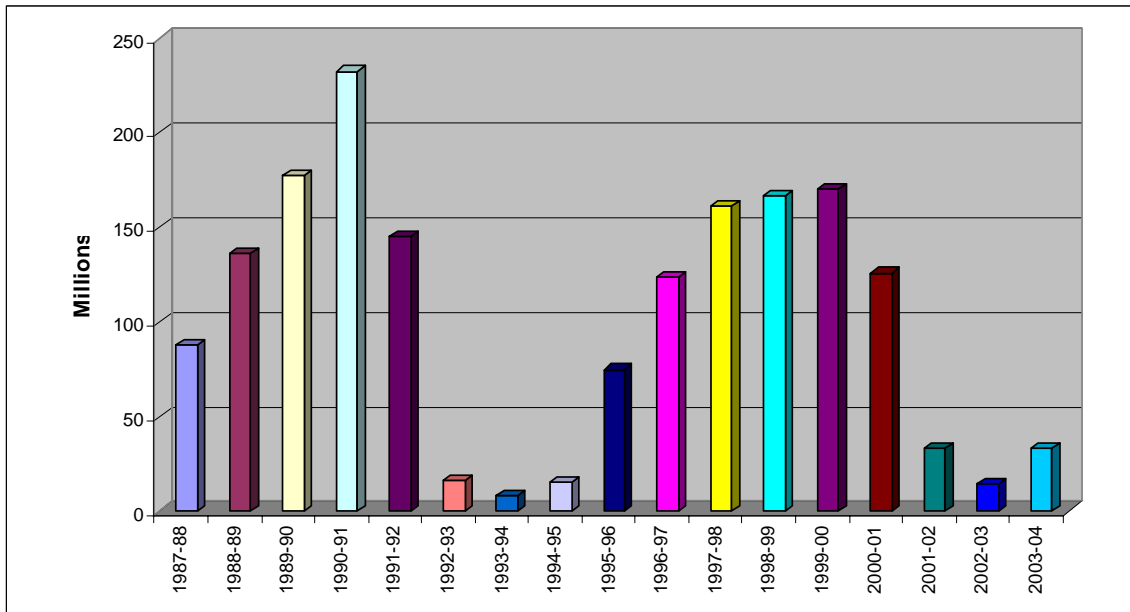
Note: All but \$114,734 (actual road hazard losses) of the cash expenditures for road hazards were for operating expenses; the majority of road hazard losses were paid through legislative appropriation and not by the Office of Risk Management.

Budget



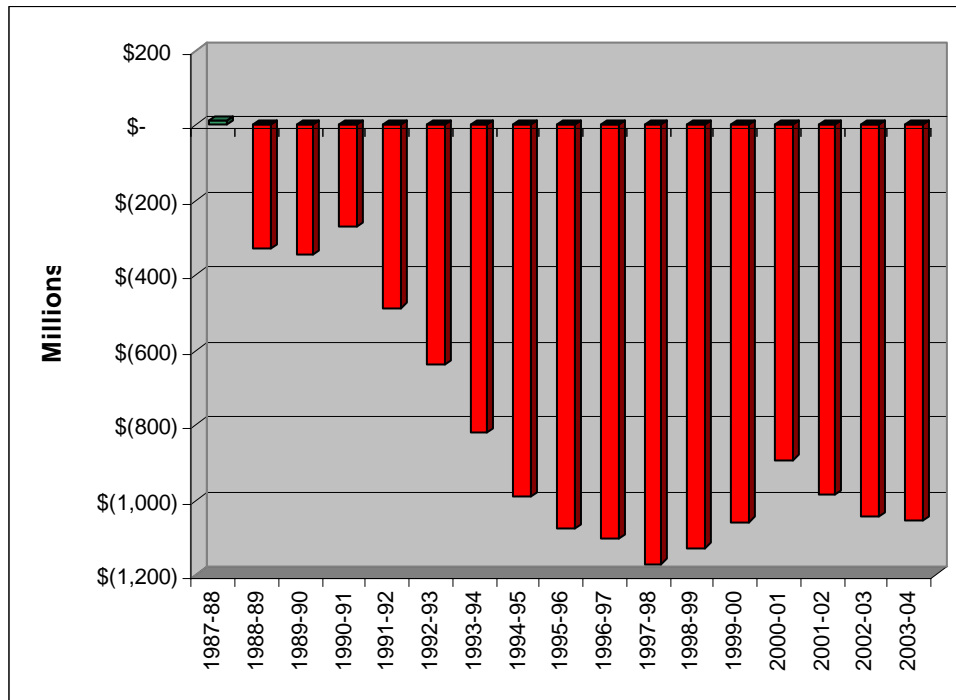
Fiscal Year	Total Budget
1987-88	\$ 160,000,000
1988-89	\$ 231,163,517
1989-90	\$ 269,404,983
1990-91	\$ 368,818,757
1991-92	\$ 368,317,741
1992-93	\$ 368,844,694
1993-94	\$ 258,879,001
1994-95	\$ 97,565,325
1995-96	\$ 224,846,405
1996-97	\$ 239,326,671
1997-98	\$ 194,393,632
1998-99	\$ 171,675,510
1999-00	\$ 139,457,883
2000-01	\$ 167,491,519
2001-02	\$ 124,096,116
2002-03	\$ 158,581,579
2003-04	\$ 174,740,353

Cash Balance



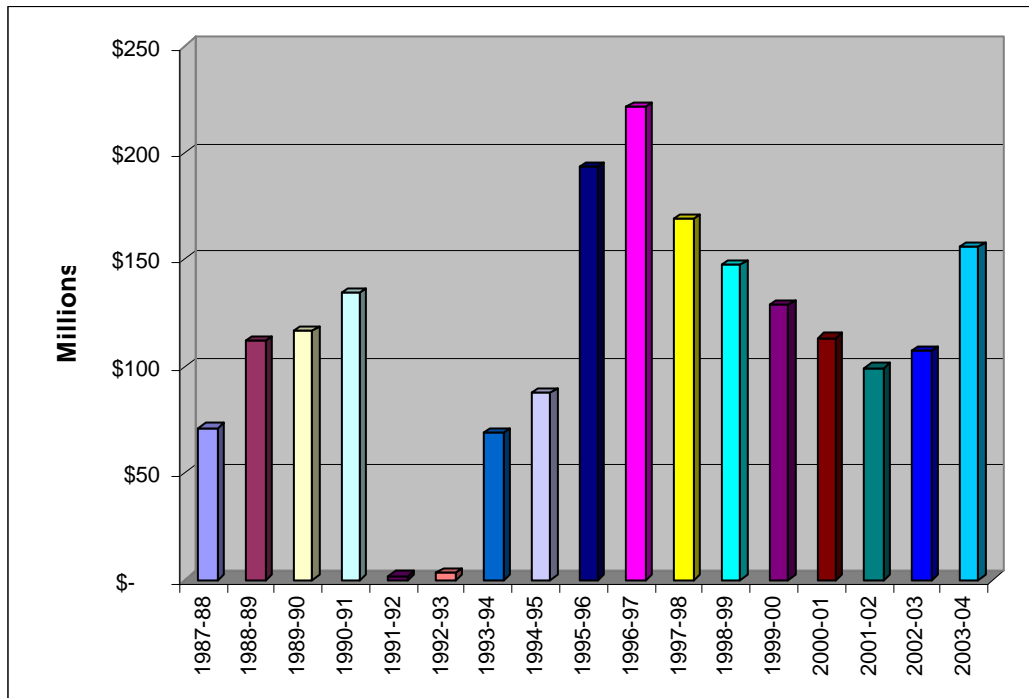
Fiscal Year	Total Cash Balance
1987-88	\$ 87,983,512
1988-89	\$ 136,197,880
1989-90	\$ 177,167,033
1990-91	\$ 232,570,471
1991-92	\$ 145,048,419
1992-93	\$ 16,054,526
1993-94	\$ 8,284,465
1994-95	\$ 15,004,482
1995-96	\$ 74,693,176
1996-97	\$ 123,354,824
1997-98	\$ 161,624,140
1998-99	\$ 166,761,033
1999-00	\$ 170,099,177
2000-01	\$ 126,071,172
2001-02	\$ 33,018,390
2002-03	\$ 14,478,728
2003-04	\$ 32,810,477

Fund Equity



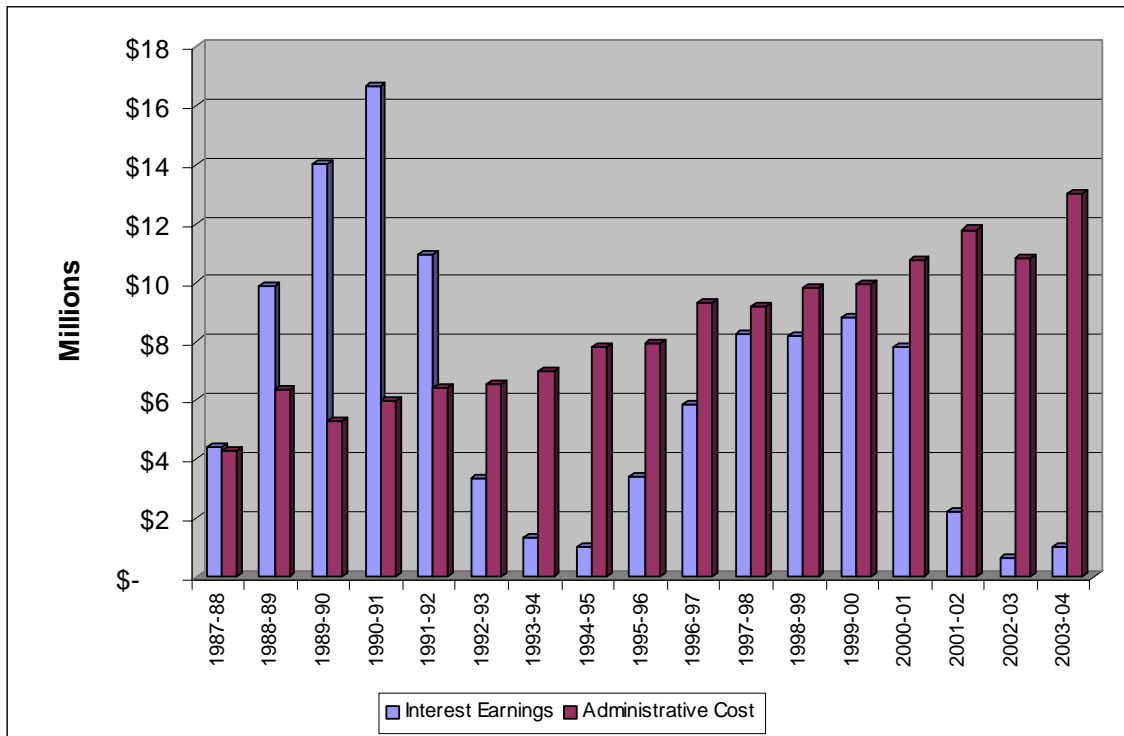
Fiscal Year	Total Fund Equity
1987-88	\$ 13,014,112
1988-89	\$ (331,090,858)
1989-90	\$ (346,662,508)
1990-91	\$ (271,958,071)
1991-92	\$ (486,507,461)
1992-93	\$ (637,901,253)
1993-94	\$ (818,644,299)
1994-95	\$ (989,537,511)
1995-96	\$ (1,078,065,151)
1996-97	\$ (1,103,819,414)
1997-98	\$ (1,169,748,070)
1998-99	\$ (1,126,332,490)
1999-00	\$ (1,058,050,563)
2000-01	\$ (892,190,771)
2001-02	\$ (984,477,740)
2002-03	\$ (1,043,097,424)
2003-04	\$ (1,052,806,907)

Premiums Collected



Fiscal Year	Total Premium Collected
1987-88	\$ 70,933,701
1988-89	\$ 111,864,517
1989-90	\$ 116,745,861
1990-91	\$ 134,591,411
1991-92	\$ 1,775,132
1992-93	\$ 3,145,241
1993-94	\$ 68,845,869
1994-95	\$ 87,348,273
1995-96	\$ 193,360,233
1996-97	\$ 221,425,973
1997-98	\$ 169,004,359
1998-99	\$ 147,388,790
1999-00	\$ 128,793,146
2000-01	\$ 113,254,354
2001-02	\$ 99,215,760
2002-03	\$ 107,363,592
2003-04	\$ 156,403,159

Interest Earnings vs Administrative Cost



Fiscal Year	Interest Earnings	Administrative Costs ¹
1987-88	\$ 4,412,202	\$ 4,313,789
1988-89	\$ 9,900,102	\$ 6,383,078
1989-90	\$13,999,243	\$ 5,290,218
1990-91	\$16,648,961	\$ 5,976,164
1991-92	\$10,973,250	\$ 6,437,556
1992-93	\$ 3,346,419	\$ 6,574,934
1993-94	\$ 1,342,554	\$ 6,995,833
1994-95	\$ 1,042,107	\$ 7,794,305
1995-96	\$ 3,396,422	\$ 7,908,967
1996-97	\$ 5,887,778	\$ 9,338,184
1997-98	\$ 8,264,904	\$ 9,201,017
1998-99	\$ 8,177,315	\$ 9,818,911
1999-00	\$ 8,829,597	\$ 9,944,946
2000-01	\$ 7,808,733	\$10,779,811
2001-02	\$ 2,222,094	\$11,794,264
2002-03	\$ 659,603	\$10,829,741
2003-04	\$ 353,451	\$12,920,958

¹ Includes Administrative and unallocated expenses (adjusting and Second Injury/Workers' Comp Assessments).

Premium Comparison & Program Savings

ESTIMATED EQUIVALENT COMMERCIAL PREMIUM 2002-2003

<i>Line of Business</i>	<i>Estimated Premium</i>	<i>Cost of Excess</i>	<i>Deficit Reduction</i>	<i>Total Commercial Equivalent</i>	<i>ORM Premiums</i>	<i>Savings</i>
Workers' Compensation	\$ 55,892,457	\$ -	\$ 16,142,262	\$ 72,034,719	\$ 29,295,446	\$ 42,739,273
W.C. Maritime	615,406	349,250	1,085,957	2,050,613	\$ 1,150,576	900,037
General Liability	34,266,428	2,095,700	2,213,758	38,575,886	\$ 18,333,316	20,242,570
Personal Injury Liability	22,489,385	428,400	8,626,187	31,543,972	\$ 11,196,456	20,347,516
Auto Liability	14,659,396	330,400	2,622,537	17,612,333	\$ 6,325,431	11,286,902
Auto Physical Damage	1,585,925	-	1,009,837	2,595,762	\$ 1,250,455	1,345,307
Property Damage	14,079,513	5,071,500	3,800,765	22,951,778	\$ 8,302,166	14,649,612
Boiler & Machinery	2,469,972	591,473	606,755	3,668,200	\$ 883,778	2,784,422
Bonds/Crime	50,310	254,711	34,169 *	339,190	\$ 282,102	57,088
Marine	142,101	1,568,639	-	1,710,740	\$ 1,772,617	(61,877)
Aviation	194,362	1,000,567	-	1,194,929	\$ 1,087,814	107,115
Medical Malpractice	94,651,617	-	15,406,812	110,058,429	\$ 30,125,537	79,932,892
Road & Bridge Hazard	44,318,561	2,315,500	58,052,105 **	104,686,166	\$ -	104,686,166
Miscellaneous Tort	1,654,699	-	2,325,897	3,980,596	\$ 1,410,693	2,569,903
	\$ 287,070,132	\$ 14,006,140	\$ 111,927,041	\$ 413,003,313	\$111,416,387	\$301,586,926

* Crime has surplus equals to \$1,119,735.

* Bond deficit is \$34,169.

**Note: Commercial Equivalent for Road & Bridge is shown for informational purposes only since ORM is not collecting premiums and is only paying expenses for claims, not losses.

Statement of Actuarial Opinion

STATEMENT OF ACTUARIAL OPINION

Page 1 of 2

I, Michael Bayard Smith, am associated with the Tillinghast business of Towers Perrin. I am a member of the American Academy of Actuaries and meet its qualification standards for signing statements of actuarial opinion for property and casualty lines of business. I am a Fellow of the Casualty Actuarial Society.

I have examined the undiscounted reserves for unpaid loss and loss adjustment expense liabilities at June 30, 2004 as presented by the Office of Risk Management, Division of Administration, State of Louisiana (ORM) in its June 30, 2004 financial package.

The scope of my review included all risk groups except the uninsured lines (non-reviewed risk groups). The liabilities I reviewed were on a nominal (undiscounted) basis. The reserves stated by ORM are as follows:

1. Total Loss & Loss Expense Reserves for Reviewed and Non-Reviewed Risk Groups	\$1,124,901,104
2. Reserve for Non-Reviewed Risk Groups	\$69,331,997
3. Total of Reserves for Reviewed Risk Groups [(1) - (2)]	\$1,055,569,107

My examination included the performance of independent projections of ORM's loss and loss adjustment expense liabilities and such other tests and procedures as I considered necessary. In making my examination, I relied upon ORM as to the accuracy and completeness of the loss and loss expense data and other related information provided to Tillinghast, as well as to the accounting treatment of excess insurance.

Due to the inherent uncertainty associated with actuarial projections of future contingent events, it is possible that the actual future payments associated with the disposition of current loss and loss adjustment expense liabilities could prove to be materially different from the estimated amounts underlying the reserves in the financial package. I have assumed that historical loss emergence patterns will be predictive of ORM's future loss emergence. My estimates make no provision for either the extraordinary future emergence of new classes of losses or losses, which are not yet quantifiable. I have not anticipated any diminution in the asset value that may exist in the event that any of the companies providing excess insurance might be unable to meet their obligations to ORM under existing excess insurance agreements.



Statement of Actuarial Opinion(continued)

STATEMENT OF ACTUARIAL OPINION

Page 2 of 2

It should be noted that ORM's financial package indicates that cash assets are less than \$33 million and that total liabilities are in excess of \$1.1 billion as of June 30, 2004.

In my calculations I have assumed that sufficient assets will become available on a timely basis such that ORM will be able to meet its claim payment obligations. In the event that sufficient assets do not become available on a timely basis, there may be a material impact upon our estimates.

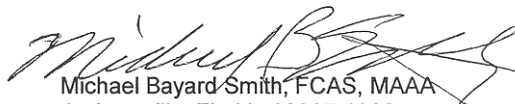
As of June 30, 2004, ORM reported \$69,331,997 as a reserve for unpaid loss and loss adjustment expense obligations arising from the uninsured lines. Review of the reserves for the uninsured lines is outside the scope of our analysis. I have, therefore, excluded the uninsured lines from the opinion stated in the next paragraph.

In my opinion, except for the uninsured lines risk group (as explained in the preceding paragraph), the amount stated of \$1,055,569,107 as the reserve for estimated loss and loss adjustment expense liabilities:

- is computed in accordance with commonly accepted actuarial methods and is fairly stated on an ultimate undiscounted basis in accordance with sound actuarial principles;
- is based upon actuarial assumptions which are reasonable given the coverages provided; and
- makes good and sufficient provision in the aggregate for all unpaid loss and loss adjustment expense obligations.

This statement of opinion is solely for the use of and is only to be relied upon by public officials of the State of Louisiana who have access to and the ability to understand the data and operations of ORM. Such knowledge is required in order to place appropriate reliance on this opinion.

August 24, 2004


Michael Bayard Smith, FCAS, MAAA
Jacksonville, Florida 32207-1803
(904) 391-1915


TOWERS
PERRIN
TILLINGHAST

Financial Statements

Office of Risk Management

Balance Sheet

<u>ASSETS</u>	
Cash and investments	\$32,925,200
Insurance/reinsurance balances receivable	\$22,214,430
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$20,318
Prepaid insurance	\$20,778,201
Machinery	\$658,274
Less: Accumulated depreciation	\$342,924
TOTAL ASSETS	\$76,253,499
<u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Loss and expense reserves	\$1,120,601,348
Unearned premium	\$100,190
Other liabilities	\$8,358,868
TOTAL LIABILITIES	\$1,129,060,406
<u>FUND EQUITY</u>	
TOTAL FUND EQUITY	(\$1,052,806,907)
TOTAL LIABILITIES AND FUND EQUITY	\$76,253,499

Statement of Revenues and Expenses

<u>OPERATING REVENUES</u>	
Premiums written	\$161,744,724
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$83,727
Less unfunded premium	\$0
Less unearned premium at statement date	\$83,727
Less cost of insurance	\$18,551,857
TOTAL INCOME	\$143,192,867
<u>OPERATING EXPENSES</u>	
General and administrative expenses	\$5,732,749
Claims cost:	
Losses	\$72,418,895
Allocated loss adjustment expense	\$35,580,395
Unallocated loss adjustment expense	\$7,188,209
Change in provision for losses/expenses	\$32,610,682
TOTAL EXPENSES	\$153,530,930
NET INCOME(LOSS) FROM OPERATIONS	(\$10,338,063)
<u>NON-OPERATING REVENUES AND EXPENSES</u>	
Interest income	\$353,451
Gain(loss) on sale of fixed assets/misc. inc.	\$0
TOTAL OTHER INCOME/LOSS	\$353,451
TOTAL NET INCOME/LOSS	(\$ 9,984,612)
RETAINED EARN./FUND BAL. JULY 1, 2003	(\$1043,097,424)
Current income(loss)	(\$9,984,612)
Prior year adjustments	\$275,129
RETAINED EARN./FUND BAL. JUNE 30, 2004	(\$1,052,806,907)

NOTE: The statements contained in this report are unaudited.

Auto Liability

AUTO LIABILITY

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$18,617,791
Insurance/reinsurance balances receivable	\$3,452
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$846
Prepaid insurance	\$330,400
Machinery	\$76,026
Less: Accumulated depreciation	\$55,453
TOTAL ASSETS	\$18,973,062

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$32,053,983
Unearned premium	\$0
Other liabilities	\$137,788
TOTAL LIABILITIES	\$32,191,771

FUND EQUITY

TOTAL FUND EQUITY	(\$13,218,709)
TOTAL LIABILITIES AND FUND EQUITY	\$18,973,062

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$9,051,237
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$330,779
TOTAL INCOME	\$8,720,458

OPERATING EXPENSES

General and administrative expenses	\$195,563
Claims cost:	
Losses	\$3,351,087
Allocated loss adjustment expense	\$1,285,585
Unallocated loss adjustment expense	\$152,995
Change in provision for losses/expenses	\$2,271,934
TOTAL EXPENSES	\$7,257,164

NET INCOME(LOSS) FROM OPERATIONS	\$1,463,294
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$14,384
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$14,384

TOTAL NET INCOME/LOSS	\$1,477,678
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$14,696,387)
Current year income(loss)	\$1,477,678
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$13,218,709)

Auto Liability

Claims Reported 7/1/2003 – 6/30/2004	
Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	10
0400 - DIVISION OF ADMINISTRATION	9
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	182
0900 - LSUMC HEALTH CARE SERVICES DIVISION	1
1000 - DEPT. OF HEALTH AND HOSPITALS	39
1800 - DEPARTMENT OF SOCIAL SERVICES	23
2000 - DEPARTMENT OF CORRECTIONS	74
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	14
2200 - DEPARTMENT OF PUBLIC SAFETY	109
2300 - DEPARTMENT OF NATURAL RESOURCES	2
2400 - DEPT OF ENVIRONMENTAL QUALITY	6
2600 - DEPARTMENT OF LABOR	1
2800 - DEPT. OF WILDLIFE & FISHERIES	18
2900 - DEPARTMENT OF REVENUE	3
3100 - DEPT. CULTURE, RECREATION, TOURISM	13
3300 - DEPARTMENT OF STATE	1
3400 - DEPARTMENT OF JUSTICE	8
3700 - DEPT. OF AGRICULTURE & FORESTRY	17
4100 - DEPARTMENT OF EDUCATION	1
4400 - LSU SYSTEM	57
4600 - SOUTHERN UNIVERSITY SYSTEM	10
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	54
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	5
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	5
7200 - MISC. BOARDS & COMMISSIONS	7
7600 - LEGISLATURE	1
Grand Totals:	670

Auto Physical Damage

AUTO PHYSICAL DAMAGE

Balance Sheet

ASSETS

Cash & investments - State Treasury	(\$2,881,766)
Insurance/reinsurance balances receivable	(\$6,855)
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$0
Machinery	\$7,005
Less: Accumulated depreciation	\$1,895
TOTAL ASSETS	(\$2,879,721)

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	(\$2,980,565)
Unearned premium	\$0
Other liabilities	\$23,321
TOTAL LIABILITIES	(\$2,957,244)

FUND EQUITY

TOTAL FUND EQUITY	\$77,523
TOTAL LIABILITIES AND FUND EQUITY	(\$2,879,721)

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$2,268,054
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$476
TOTAL INCOME	\$2,267,578

OPERATING EXPENSES

General and administrative expenses	\$246,030
Claims cost:	
Losses	\$914,523
Allocated loss adjustment expense	\$26,037
Unallocated loss adjustment expense	\$155,489
Change in provision for losses/expenses	(\$3,527,212)
TOTAL EXPENSES	(\$2,185,133)

NET INCOME(LOSS) FROM OPERATIONS	\$4,452,711)
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$0

TOTAL NET INCOME/LOSS	\$4,452,711
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$4,375,188)
Current year income(loss)	\$4,452,711
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2003	\$77,523

Auto Physical Damage

Claims Reported 7/1/2003 - 6/30/2004	
Loc Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	16
0400 - DIVISION OF ADMINISTRATION	7
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	131
0900 - LSUMC HEALTH CARE SERVICES DIVISION	2
1000 - DEPT. OF HEALTH AND HOSPITALS	63
1800 - DEPARTMENT OF SOCIAL SERVICES	50
2000 - DEPARTMENT OF CORRECTIONS	53
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	7
2200 - DEPARTMENT OF PUBLIC SAFETY	121
2300 - DEPARTMENT OF NATURAL RESOURCES	2
2400 - DEPT OF ENVIRONMENTAL QUALITY	4
2500 - DEPT. ECONOMIC DEVELOPMENT	1
2600 - DEPARTMENT OF LABOR	3
2800 - DEPT. OF WILDLIFE & FISHERIES	12
2900 - DEPARTMENT OF REVENUE	7
3100 - DEPT. CULTURE, RECREATION, TOURISM	14
3300 - DEPARTMENT OF STATE	2
3400 - DEPARTMENT OF JUSTICE	12
3700 - DEPT. OF AGRICULTURE & FORESTRY	33
4100 - DEPARTMENT OF EDUCATION	2
4400 - LSU SYSTEM	26
4600 - SOUTHERN UNIVERSITY SYSTEM	7
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	38
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	4
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	6
7200 - MISC. BOARDS & COMMISSIONS	6
7600 - LEGISLATURE	4
Grand Totals:	633

Bonds and Crime

Balance Sheet	BONDS	CRIME
<u>ASSETS</u>		
Cash & investments - State Treasury	\$700,242	\$918,796
Insurance/reinsurance balances receivable	(\$560)	(\$636)
Less reserve for abolished agencies	\$0	\$0
Interest receivable and other assets	\$32	\$42
Prepaid insurance	\$0	\$20,918
Machinery	\$841	\$2,023
Less: Accumulated depreciation	\$381	\$1,547
TOTAL ASSETS	\$700,174	\$939,596
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Loss and expense reserves	\$342,754	\$167,349
Unearned premium	\$0	\$0
Other liabilities	\$977	\$21,236
TOTAL LIABILITIES	\$343,731	\$188,585
<u>FUND EQUITY</u>		
TOTAL FUND EQUITY	\$356,443	\$751,011
TOTAL LIABILITIES AND FUND EQUITY	\$700,174	\$939,596
 Statement of Revenues and Expenses		
<u>OPERATING REVENUES</u>		
Premiums written	\$279,165	\$66,031
General fund appr./non-tort reimbursement	\$0	\$0
Add unearned premium from prior year	\$0	\$0
Less unfunded premium	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0
Less cost of insurance	\$16	\$7
TOTAL INCOME	\$279,149	\$66,024
<u>OPERATING EXPENSES</u>		
General and administrative expenses	\$8,029	\$3,440
Claims cost:		
Losses	\$253,644	\$48
Allocated loss adjustment expense	\$8,928	\$2,313
Unallocated loss adjustment expense	\$1,330	\$570
Change in provision for losses/expenses	(\$193,052)	\$3,249
TOTAL EXPENSES	\$78,879	\$9,620
NET INCOME(LOSS) FROM OPERATIONS	\$200,270	\$56,404
 <u>NON-OPERATING REVENUES AND EXPENSES</u>		
Interest income	\$648	\$721
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$648	\$721
 TOTAL NET INCOME/LOSS	\$200,918	\$57,125
 RETAINED EARN./FUND BAL. JULY 1, 2001	\$155,525	\$693,886
Current year income(loss)	\$200,918	\$57,125
Prior year adjustments		
RETAINED EARN./FUND BAL. JUNE 30, 2002	\$356,443	\$751,011

Bonds and Crime

Claims Reported 7/1/2003 - 6/30/2004	
Department	Number of Claims Reported
0400 - DIVISION OF ADMINISTRATION	1
1000 - DEPT. OF HEALTH AND HOSPITALS	1
3300 - DEPARTMENT OF STATE	1
4400 - LSU SYSTEM	3
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	2
Grand Totals:	8

Workers Comp and Maritime

Balance Sheet	WORKER'S COMP	MARITIME
<u>ASSETS</u>		
Cash & investments - State Treasury	\$39,169,517	\$389,668
Insurance/reinsurance balances receivable	\$3,077,908	\$0
Less reserve for abolished agencies	\$0	\$0
Interest receivable and other assets	\$1,780	\$18
Prepaid insurance	\$572,972	\$352,535
Machinery	\$280,883	\$27,806
Less: Accumulated depreciation	\$153,995	\$21,614
TOTAL ASSETS	\$42,949,065	\$748,413
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Loss and expense reserves	\$195,085,311	\$4,539,537
Unearned premium	\$0	\$0
Other liabilities	\$2,992,991	\$368,399
TOTAL LIABILITIES	\$198,078,302	\$4,906,936
<u>FUND EQUITY</u>		
TOTAL FUND EQUITY	(\$155,129,237)	(\$4,158,523)
TOTAL LIABILITIES AND FUND EQUITY	\$42,949,065	\$748,413
 Statement of Revenues and Expenses		
<u>OPERATING REVENUES</u>		
Premiums written	\$31,355,517	\$1,483,290
General fund appr./non-tort reimbursement	\$0	\$0
Add unearned premium from prior year	\$0	\$0
Less unfunded premium	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0
Less cost of insurance	\$132,676	\$351,860
TOTAL INCOME	\$31,222,841	\$1,131,430
<u>OPERATING EXPENSES</u>		
General and administrative expenses	\$1,927,042	\$40,719
Claims cost:		
Losses	\$33,399,543	\$1,119,693
Allocated loss adjustment expense	\$3,981,836	\$203,982
Unallocated loss adjustment expense	\$4,395,640	\$6,746
Change in provision for losses/expenses	\$25,727,768	\$494,642
TOTAL EXPENSES	\$69,431,829	\$1,865,782
NET INCOME(LOSS) FROM OPERATIONS	(\$38,208,988)	(\$734,352)
 <u>NON-OPERATING REVENUES AND EXPENSES</u>		
Interest income	\$37,518	\$132
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$37,518	\$132
 TOTAL NET INCOME/LOSS	(\$38,171,470)	(\$734,220)
 RETAINED EARN./FUND BAL. JULY 1, 2001	(\$116,958,228)	(\$3,424,303)
Current year income(loss)	(\$38,171,470)	(\$734,220)
Prior year adjustments	\$461	
RETAINED EARN./FUND BAL. JUNE 30, 2002	(\$155,129,237)	(\$4,158,523)

Workers Comp and Maritime

Claims Reported 7/1/2003 - 6/30/2004	
Loc Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	108
0400 - DIVISION OF ADMINISTRATION	45
0500 - DEPT. TRANSPORTATION & DEVELPMNT	372
0900 - LSUMC HEALTH CARE SERVICES DIVISION	668
1000 - DEPT. OF HEALTH AND HOSPITALS	1,241
1800 - DEPARTMENT OF SOCIAL SERVICES	196
2000 - DEPARTMENT OF CORRECTIONS	259
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	191
2200 - DEPARTMENT OF PUBLIC SAFETY	141
2300 - DEPARTMENT OF NATURAL RESOURCES	7
2400 - DEPT OF ENVIRONMENTAL QUALITY	18
2500 - DEPT. ECONOMIC DEVELOPMENT	1
2600 - DEPARTMENT OF LABOR	28
2800 - DEPT. OF WILDLIFE & FISHERIES	66
2900 - DEPARTMENT OF REVENUE	21
3000 - DEPARTMENT OF CIVIL SERVICE	4
3100 - DEPT. CULTURE, RECREATION, TOURISM	55
3300 - DEPARTMENT OF STATE	11
3400 - DEPARTMENT OF JUSTICE	13
3600 - DEPARTMENT OF THE TREASURY	1
3700 - DEPT. OF AGRICULTURE & FORESTRY	89
4000 - DEPARTMENT OF INSURANCE	16
4100 - DEPARTMENT OF EDUCATION	34
4300 - DEPARTMENT OF PUBLIC SERVICE	2
4400 - LSU SYSTEM	989
4600 - SOUTHERN UNIVERSITY SYSTEM	74
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	393
5800 - SPECIAL SCHOOLS & EDUCATN AGENCY	89
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	62
7000 - EMPLOYEE BENEFIT SYSTEMS	2
7200 - MISC. BOARDS & COMMISSIONS	9
7600 - LEGISLATURE	7
7700 - JUDICIARY	12
Grand Totals:	5,224

Property

PROPERTY RISK GROUP

Balance Sheet

ASSETS

Cash & investments - State Treasury	(\$28,891,949)
Insurance/reinsurance balances receivable	\$1,008,228
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$9,653,190
Machinery	\$21,172
Less: Accumulated depreciation	\$9,826
TOTAL ASSETS	(\$18,219,185)

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$21,600,432
Unearned premium	\$100,190
Other liabilities	
TOTAL LIABILITIES	\$23,249,025

FUND EQUITY

TOTAL FUND EQUITY	(\$41,468,210)
TOTAL LIABILITIES AND FUND EQUITY	(\$18,219,185)

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$14,736,999
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$83,727
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$83,727
Less cost of insurance	\$10,177,016
TOTAL INCOME	\$4,559,983

OPERATING EXPENSES

General and administrative expenses	\$165,742
Claims cost:	
Losses	\$6,471,699
Allocated loss adjustment expense	\$422,167
Unallocated loss adjustment expense	\$320,357
Change in provision for losses/expenses	\$8,026,217
TOTAL EXPENSES	\$15,406,182

NET INCOME(LOSS) FROM OPERATIONS	(\$10,846,199)
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$0

TOTAL NET INCOME/LOSS	(\$10,846,199)
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$30,896,949)
Current year income(loss)	(\$10,468,210)
Prior year adjustments	\$274,938
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$41,468,210)

Property

Claims Reported 7/1/2003 - 6/30/2004	
Loc Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	25
0400 - DIVISION OF ADMINISTRATION	18
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	40
0900 - LSUMC HEALTH CARE SERVICES DIVISION	7
1000 - DEPT. OF HEALTH AND HOSPITALS	41
1800 - DEPARTMENT OF SOCIAL SERVICES	3
2000 - DEPARTMENT OF CORRECTIONS	21
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	3
2200 - DEPARTMENT OF PUBLIC SAFETY	12
2300 - DEPARTMENT OF NATURAL RESOURCES	3
2400 - DEPT OF ENVIRONMENTAL QUALITY	2
2600 - DEPARTMENT OF LABOR	1
2800 - DEPT. OF WILDLIFE & FISHERIES	9
2900 - DEPARTMENT OF REVENUE	1
3100 - DEPT. CULTURE, RECREATION, TOURISM	4
3300 - DEPARTMENT OF STATE	2
3700 - DEPT. OF AGRICULTURE & FORESTRY	6
4100 - DEPARTMENT OF EDUCATION	4
4400 - LSU SYSTEM	72
4600 - SOUTHERN UNIVERSITY SYSTEM	12
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	59
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	8
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	20
7000 - EMPLOYEE BENEFIT SYSTEMS	1
7200 - MISC. BOARDS & COMMISSIONS	8
7600 - LEGISLATURE	2
Grand Totals:	384

General Liability

GENERAL LIABILITY RISK GROUP

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$97,852,891
Insurance/reinsurance balances receivable	\$5,126,728
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$4,447
Prepaid insurance	\$4,940,962
Machinery	\$119,689
Less: Accumulated depreciation	\$79,899
TOTAL ASSETS	\$107,964,818

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$156,516,911
Unearned premium	\$0
Other liabilities	\$333,007
TOTAL LIABILITIES	\$156,849,918

FUND EQUITY

TOTAL FUND EQUITY	(\$48,885,100)
TOTAL LIABILITIES AND FUND EQUITY	\$107,964,818

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$17,924,886
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$4,941,991
TOTAL INCOME	\$12,982,895

OPERATING EXPENSES

General and administrative expenses	\$531,052
Claims cost:	
Losses	\$4,554,933
Allocated loss adjustment expense	\$7,804,209
Unallocated loss adjustment expense	\$214,501
Change in provision for losses/expenses	\$32,322,900
TOTAL EXPENSES	\$45,427,595

NET INCOME(LOSS) FROM OPERATIONS	(\$32,444,700)
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$82,443
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$82,433

TOTAL NET INCOME/LOSS	(\$32,352,267)
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$16,522,833)
Current year income(loss)	(\$32,352,267)
Prior year adjustments	(\$0)
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$48,885,100)

General Liability

Claims Reported 7/1/2003 - 6/30/2004	
Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	17
0400 - DIVISION OF ADMINISTRATION	19
0500 - DEPT. TRANSPORTATION & DEVELOPMENT	58
0900 - LSUMC HEALTH CARE SERVICES DIVISION	34
1000 - DEPT. OF HEALTH AND HOSPITALS	102
1800 - DEPARTMENT OF SOCIAL SERVICES	25
2000 - DEPARTMENT OF CORRECTIONS	97
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	10
2200 - DEPARTMENT OF PUBLIC SAFETY	32
2300 - DEPARTMENT OF NATURAL RESOURCES	20
2400 - DEPT OF ENVIRONMENTAL QUALITY	7
2500 - DEPT. ECONOMIC DEVELOPMENT	1
2600 - DEPARTMENT OF LABOR	2
2800 - DEPT. OF WILDLIFE & FISHERIES	7
3100 - DEPT. CULTURE, RECREATION, TOURISM	25
3300 - DEPARTMENT OF STATE	7
3700 - DEPT. OF AGRICULTURE & FORESTRY	11
4100 - DEPARTMENT OF EDUCATION	5
4400 - LSU SYSTEM	108
4600 - SOUTHERN UNIVERSITY SYSTEM	36
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	139
5800 - SPECIAL SCHOOLS & EDUCATION AGENCY	6
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	31
7200 - MISC. BOARDS & COMMISSIONS	44
7700 - JUDICIARY	14
Grand Totals:	864

Personal Injury

PERSONAL INJURY

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$14,498,546
Insurance/reinsurance balances receivable	\$52,172
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$659
Prepaid insurance	\$428,400
Machinery	(\$2,954)
Less: Accumulated depreciation	(\$3,697)
TOTAL ASSETS	\$14,980,520

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$79,166,114
Unearned premium	\$0
Other liabilities	\$328,287
TOTAL LIABILITIES	\$79,494,401

FUND EQUITY

TOTAL FUND EQUITY	(\$64,513,881)
TOTAL LIABILITIES AND FUND EQUITY	\$14,980,520

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$15,659,841
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$429,176
TOTAL INCOME	\$15,230,665

OPERATING EXPENSES

General and administrative expenses	\$400,874
Claims cost:	
Losses	\$1,552,251
Allocated loss adjustment expense	\$5,907,310
Unallocated loss adjustment expense	\$198,505
Change in provision for losses/expenses	\$8,539,641
TOTAL EXPENSES	\$16,598,581

NET INCOME(LOSS) FROM OPERATIONS	(\$1,367,916)
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$12,946
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$12,946

TOTAL NET INCOME/LOSS	(\$1,354,970)
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$63,158,922)
Current year income(loss)	(\$1,354,970)
Prior year adjustments	\$0
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$64,513,881)

Personal Injury

Claims Reported 7/1/2003 - 6/30/2004	
Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	1
0500 - DEPT. TRANSPORTATION & DEVELOPMNT	1
0900 - LSUMC HEALTH CARE SERVICES DIVISION	3
1000 - DEPT. OF HEALTH AND HOSPITALS	1
1800 - DEPARTMENT OF SOCIAL SERVICES	7
2000 - DEPARTMENT OF CORRECTIONS	218
2170 - DEPARTMENT OF YOUTH DEVELOPMENT	6
2200 - DEPARTMENT OF PUBLIC SAFETY	16
2300 - DEPARTMENT OF NATURAL RESOURCES	3
2400 - DEPT OF ENVIRONMENTAL QUALITY	4
2600 - DEPARTMENT OF LABOR	2
2800 - DEPT. OF WILDLIFE & FISHERIES	1
3000 - DEPARTMENT OF CIVIL SERVICE	1
3300 - DEPARTMENT OF STATE	2
3400 - DEPARTMENT OF JUSTICE	3
3700 - DEPT. OF AGRICULTURE & FORESTRY	4
4000 - DEPARTMENT OF INSURANCE	1
4100 - DEPARTMENT OF EDUCATION	1
4400 - LSU SYSTEM	10
4600 - SOUTHERN UNIVERSITY SYSTEM	3
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	9
5800 - SPECIAL SCHOOLS & EDUCATN AGENCY	1
6000 - LA. COMMUNITY & TECHNICAL COLLEGE SYSTEM	1
7000 - EMPLOYEE BENEFIT SYSTEMS	1
7200 - MISC. BOARDS & COMMISSIONS	3
7600 - LEGISLATURE	1
7700 - JUDICIARY	22
9996 - NON-AGENCY CLAIMS	5
9999 - CLASSIFIED	1
Grand Totals:	332

Marine, Aviation, and Boiler & Machinery

	MARINE RISK GROUP	AVIATION RISK GROUP	BOILER & MACHINERY RISK GROUP
Balance Sheet			
<u>ASSETS</u>			
Cash & investments - State Treasury	(\$6,448,645)	(\$1,988,023)	(\$2,298,550)
Insurance/reinsurance balances receivable	\$25,213	\$61,798	\$15,658
Less reserve for abolished agencies	\$0	\$0	\$0
Interest receivable and other assets	\$0	\$0	\$0
Prepaid insurance	\$1,569,717	\$0	\$593,607
Machinery	\$1,230	\$483	\$7,674
Less: Accumulated depreciation	(\$75)	\$238	\$5,098
TOTAL ASSETS	(\$4,852,410)	(\$1,845,980)	(\$1,686,709)
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Loss and expense reserves	\$361,701	\$66,888	(\$1,224,142)
Unearned premium	\$0	\$0	\$0
Other liabilities	\$1,576,257	\$106	\$3,126
TOTAL LIABILITIES	\$1,937,958	\$66,994	(\$1,221,016)
<u>FUND EQUITY</u>			
TOTAL FUND EQUITY	(\$6,790,368)	(\$1,912,974)	(\$465,693)
TOTAL LIABILITIES AND FUND EQUITY	(\$4,852,410)	(\$1,845,980)	(\$1,686,709)
Statement of Revenues and Expenses			
<u>OPERATING REVENUES</u>			
Premiums written	\$1,769,460	\$1,083,482	\$1,538,732
General fund appr./non-tort reimbursement	\$0	\$0	\$0
Add unearned premium from prior year	\$0	\$0	\$0
Less unfunded premium	\$0	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0	\$0
Less cost of insurance	\$1,570,558	\$2	\$613,113
TOTAL INCOME	\$198,202	\$1,083,480	\$925,619
<u>OPERATING EXPENSES</u>			
General and administrative expenses	\$17,204	\$1,146	\$33,836
Claims cost:			
Losses	\$144,183	\$63,957	\$771,093
Allocated loss adjustment expense	\$57,315	\$813	\$2,313
Unallocated loss adjustment expense	\$2,850	\$190	\$199,600
Change in provision for losses/expenses	\$46,455	(\$49,031)	(\$2,315,677)
TOTAL EXPENSES	\$268,007	\$17,075	(\$1,308,264)
NET INCOME(LOSS) FROM OPERATIONS	(\$69,105)	\$1,066,405	\$2,233,883
<u>NON-OPERATING REVENUES AND EXPENSES</u>			
Interest income	\$0	\$0	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$0	\$0	\$0
TOTAL NET INCOME/LOSS	(\$69,105)	\$1,066,405	\$2,233,883
RETAINED EARN./FUND BAL. JULY 1, 2002	(\$6,721,263)	(\$2,979,379)	(\$2,699,576)
Current year income(loss)	(\$69,105)	\$1,066,405	\$2,233,883
Prior year adjustments			
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$6,790,368)	(\$1,912,974)	(\$465,693)

Marine, Aviation and Boiler & Machinery

Claims Reported 7/1/2003 - 6/30/2004			
Department	Number of Claims Reported		
	Aviation	Marine	Boiler
0500 - DEPT. TRANSPORTATION & DEVELPMNT		47	
2200 - DEPARTMENT OF PUBLIC SAFETY	3		
2400 - DEPT OF ENVIRONMENTAL QUALITY	1		
4800 - TRUSTEES SYSTEM OF UNIVERSITIES	1		
Grand Totals:	5	47	0

Medical Malpractice

MEDICAL MALPRACTICE

Balance Sheet

ASSETS

Cash & investments - State Treasury	\$211,272,070
Insurance/reinsurance balances receivable	\$9,919,786
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$11,341
Prepaid insurance	\$0
Machinery	\$35,832
Less: Accumulated depreciation	(\$3,001)
TOTAL ASSETS	\$221,242,030

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$324,738,237
Unearned premium	\$0
Other liabilities	\$388,081
TOTAL LIABILITIES	\$325,126,318

FUND EQUITY

TOTAL FUND EQUITY	(\$103,884,288)
TOTAL LIABILITIES AND FUND EQUITY	\$221,242,030

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$62,883,022
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$1,583
TOTAL INCOME	\$62,881,439

OPERATING EXPENSES

General and administrative expenses	\$817,229
Claims cost:	
Losses	\$18,201,969
Allocated loss adjustment expense	\$7,606,976
Unallocated loss adjustment expense	\$619,877
Change in provision for losses/expenses	(\$44,067,620)
TOTAL EXPENSES	(\$16,821,569)

NET INCOME(LOSS) FROM OPERATIONS	\$79,703,008
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$184,834
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$184,834

TOTAL NET INCOME/LOSS	\$79,887,842
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$183,772,130)
Current year income(loss)	\$79,887,842
Prior year adjustments	
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$103,884,288)

Medical Malpractice

Claims Reported 7/1/2003 - 6/30/2004	
Department	Number of Claims Reported
0010 - EXECUTIVE DEPARTMENT	2
0900 - LSUMC HEALTH CARE SERVICES DIVISION	142
1000 - DEPT. OF HEALTH AND HOSPITALS	15
4400 - LSU SYSTEM	145
Grand Totals:	304

Claims Reported 7/1/2003 - 6/30/2004 LSUMC Health Care Services	
Department	Number of Claims Reported
0912 - EARL K. LONG MEDICAL CENTER	21
0914 - HUEY P. LONG MEDICAL CENTER	10
0916 - UNIVERSITY MEDICAL CENTER	9
0918 - W. O. MOSS REGIONAL MED. CENTER	7
0920 - LALLIE KEMP REGIONAL MED. CENTER	10
0922 - WASHINGTON-ST. TAMMANY RMC	5
0924 - LEONARD J. CHABERT MEDICAL CNTR	15
0926 - MEDICAL CENTER OF LA AT N.O.	65
Total By LSUMC	142

Claims Reported 7/1/2003 - 6/30/2004 LSU System	
Department	Number of Claims Reported
4485 - LSU HEALTH SERVICES-SHREVE-GENERAL OPER.	69
4488 - E.A. CONWAY MEDICAL CENTER	26
4490 - LSU HEALTH SERVICES-N.O.-GENERAL OPER.	50
Total LSU	145

Road Hazards

ROAD HAZARDS

Balance Sheet

ASSETS

Cash & investments - State Treasury	(\$331,959,879)
Insurance/reinsurance balances receivable	\$0
Less reserve for abolished agencies	\$0
Interest receivable and other assets	\$0
Prepaid insurance	\$2,315,500
Machinery	\$46,154
Less: Accumulated depreciation	(\$2,559)
TOTAL ASSETS	(\$329,595,666)

LIABILITIES AND FUND EQUITY

LIABILITIES

Loss and expense reserves	\$298,258,103
Unearned premium	\$0
Other liabilities	\$631,623
TOTAL LIABILITIES	\$298,889,726

FUND EQUITY

TOTAL FUND EQUITY	(\$628,485,392)
TOTAL LIABILITIES AND FUND EQUITY	(\$329,595,666)

Statement of Revenues and Expenses

OPERATING REVENUES

Premiums written	\$0
General fund appr./non-tort reimbursement	\$0
Add unearned premium from prior year	\$0
Less unfunded premium	\$0
Less unearned premium as of date of statement	\$0
Less cost of insurance	\$2,502
TOTAL INCOME	(\$2,502)

OPERATING EXPENSES

General and administrative expenses	\$1,292,082
Claims cost:	
Losses	\$880,010
Allocated loss adjustment expense	\$8,193,287
Unallocated loss adjustment expense	\$910,818
Change in provision for losses/expenses	\$7,078,420
TOTAL EXPENSES	\$18,354,617

NET INCOME(LOSS) FROM OPERATIONS	(\$18,357,119)
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NON-OPERATING REVENUES AND EXPENSES

Interest income	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0
TOTAL OTHER INCOME/LOSS	\$0

TOTAL NET INCOME/LOSS	(\$18,357,119)
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RETAINED EARN./FUND BAL. JULY 1, 2002	(\$610,128,003)
Current year income(loss)	(\$18,357,119)
Prior year adjustments	(\$270)
RETAINED EARN./FUND BAL. JUNE 30, 2003	(\$628,485,392)

Road Hazards

Claims Reported 7/1/2003 - 6/30/2004			
Parish	Number of Claims Reported	Parish	Number of Claims Reported
01 - ACADIA	15	33 - MADISON	2
02 - ALLEN	7	34 - MOREHOUSE	4
03 - ASCENSION	18	35 - NATCHITOCHES	14
04 - ASSUMPTION	7	36 - ORLEANS	26
05 - AVOYELLES	17	37 - OUACHITA	26
07 - BIENVILLE	4	38 - PLAQUEMINES	5
08 - BOSSIER	10	39 - POINT COUPEE	11
09 - CADDO	41	40 - RAPIDES	23
10 - CALCASIEU	41	41 - RED RIVER	1
12 - CAMERON	1	42 - RICHLAND	2
13 - CATAHOULA	2	43 - SABINE	8
14 - CLAIBORNE	2	44 - ST. BERNARD	15
15 - CONCORDIA	4	45 - ST. CHARLES	14
16 - DESOTO	2	46 - ST. HELENA	1
17 - EAST BATON ROUGE	10	47 - ST. JAMES	3
18 - EAST CARROLL	2	48 - ST. JOHN THE BAPTIST	9
19 - EAST FELICIANA	9	49 - ST. LANDRY	10
20 - EVANGELINE	2	50 - ST. MARTIN	19
21 - FRANKLIN	6	51 - ST. MARY	13
22 - GRANT	9	52 - ST. TAMMANY	34
23 - IBERIA	21	53 - TANGIPAHOA	51
24 - IBERVILLE	18	54 - TENSAS	1
25 - JACKSON	5	55 - TERREBONNE	25
26 - JEFFERSON	43	56 - UNION	1
27 - JEFFERSON DAVIS	4	57 - VERMILLION	15
28 - LAFAYETTE	35	58 - VERNON	10
29 - LAFOURCHE	21	59 - WASHINGTON PARISH	6
30 - LASALLE	1	60 - WEBSTER	6
31 - LINCOLN	7	61 - WEST BATON ROUGE	14
32 - LIVINGSTON	32	63 - WEST FELICIANA	4
Grand Totals:			874

Road Hazards

Claims Reported 7/1/2003 - 6/30/2004	
Cause	Number of Claims Reported
Cause: 3000 - FAILURE TO MAINTAIN/UPGRADE	
3001 - POTHOLE	3
3002 - WATER ON ROAD	46
3003 - ICE ON ROAD	4
3006 - LOOSE MATERIAL ON ROAD	7
3007 - EDGE RUT ON ROAD	38
3008 - TREE ON ROAD	19
3010 - VISION OBSTRUCTION	4
3011 - OTHER OBJECT ON ROAD	132
3012 - MISSING SIGNS	2
3013 - ROUGH CROSSING	11
3014 - SIGNAL MALFUNCTION	20
3015 - OTHER MALFUNCTION	2
3099 - UNKNOWN	506
Total By Cause	794
Cause: 3100 - IMPROPER CONSTRUCTION	
3124 - INSUFFICIENT/MISSING SIGNS	1
3125 - BARRICADES	1
3131 - FLOODING	1
3199 - UNKNOWN	9
Total By Cause	12
Cause: 3200 - IMPROPER DESIGN	
3253 - DITCH SLOPE	1
3255 - INSUFFICIENT/MISSING SIGNS	2
3257 - ATTENUATORS	3
3258 - LIGHTING	1
3262 - FLOODING	4
3299 - UNKNOWN	45
Total By Cause	56
Cause: 3900 - MISCELLANEOUS	
3999 - OTHER	12
Total By Cause	12
Grand Totals:	874

Miscellaneous

	MISC. TORT OTHER	NON-TORT PAYMENTS	FUTURE MEDICAL FUND
Balance Sheet			
<u>ASSETS</u>			
Cash & investments - State Treasury	\$15,785,668	(\$1,605,000)	\$9,716,823
Insurance/reinsurance balances receivable	\$2,930,723	\$0	\$0
Less reserve for abolished agencies	\$0	\$0	\$0
Interest receivable and other assets	\$1,968	\$0	\$0
Prepaid insurance	\$0	\$0	\$0
Machinery	\$34,410	\$0	\$0
Less: Accumulated depreciation	\$26,100	\$0	\$0
TOTAL ASSETS	\$18,723,669	(\$1,605,000)	\$9,716,823
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Loss and expense reserves	\$11,909,735	\$0	\$0
Unearned premium	\$0	\$0	\$0
Other liabilities	\$5,266	\$0	\$0
TOTAL LIABILITIES	\$11,915,001	\$0	\$0
<u>FUND EQUITY</u>			
TOTAL FUND EQUITY	\$6,808,668	(\$1,605,000)	\$9,716,823
TOTAL LIABILITIES AND FUND EQUITY	\$18,723,669	(\$1,605,000)	\$9,716,823
Statement of Revenues and Expenses			
<u>OPERATING REVENUES</u>			
Premiums written	\$1,645,008	\$0	\$0
General fund appr./non-tort reimbursement	\$0	\$0	\$0
Add unearned premium from prior year	\$0	\$0	\$0
Less unfunded premium	\$0	\$0	\$0
Less unearned premium as of date of statement	\$0	\$0	\$0
Less cost of insurance	\$102	\$0	\$0
TOTAL INCOME	\$1,644,906	\$0	\$0
<u>OPERATING EXPENSES</u>			
General and administrative expenses	\$52,761	\$0	\$0
Claims cost:	\$0	\$0	\$0
Losses	\$130,558	\$350,000	\$259,704
Allocated loss adjustment expense	\$77,753	\$0	\$0
Unallocated loss adjustment expense	\$8,741	\$0	\$0
Change in provision for losses/expenses	(\$1,748,952)	\$0	\$0
TOTAL EXPENSES	(\$1,479,139)	\$350,000	\$259,704
NET INCOME(LOSS) FROM OPERATIONS	\$3,124,045	(\$350,000)	(\$259,704)
<u>NON-OPERATING REVENUES AND EXPENSES</u>			
Interest income	\$19,835	\$0	\$0
Gain(loss) on sale of fixed assets and misc. income	\$0	\$0	\$0
TOTAL OTHER INCOME/LOSS	\$19,835	\$0	\$0
TOTAL NET INCOME/LOSS	\$3,143,880	(\$350,000)	(\$259,704)
RETAINED EARN./FUND BAL. JULY 1, 2002	\$3,664,788	(\$1,255,000)	\$9,976,527
Current year income(loss)	\$3,143,880	(\$350,000)	(\$259,704)
Prior year adjustments	\$0	\$0	\$0
RETAINED EARN./FUND BAL. JUNE 30, 2003	\$6,808,668	(\$1,605,000)	\$9,716,823

Notes to Financial Statements

INTRODUCTION

The Office of Risk Management is an agency of the State of Louisiana reporting entity and was created in accordance with Title 39; Chapter 1527:1544 of the Louisiana Revised Statutes of 1950 as a part of the Executive branch of government. The Office of Risk Management is charged with administering the self-insurance program within the State of Louisiana.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Office of Risk Management prepared its financial statements in accordance with the procedures established by the Division of Administration. The financial activities of the Office of Risk Management are accounted for on a fund basis whereby a set of separate, self-balancing accounts are maintained to account for appropriated or authorized activities. The information presented herein, is reported under the modified accrual basis of accounting as prescribed by GAAP for fund level reporting.

The general fixed assets and long-term obligations of the agency are not recognized in the accompanying financial reports presented at fund level. All capital assets of the primary government are, however, reported at the government-wide level of reporting, as required by GAAP.

Annually the State of Louisiana issues a comprehensive annual financial report which includes the activity contained in the accompanying financial statements. The comprehensive annual financial report is audited by the Louisiana Legislative Auditor.

1. FUND ACCOUNTING

General Operating Appropriations

The General Operations Fund is used to account for all general and auxiliary fund appropriated operating expenditures and minor capital acquisitions. All appropriated general and auxiliary operations revenue is accounted for in this fund.

Non-Appropriated Funds

Major State Revenues and Income Not Available - The agency collects major state revenues that are remitted to the State Treasury for deposit to statutorily dedicated funds. In addition, the agency collects funds specifically identified by the Division of Administration - Budget Office as Income Not Available that are remitted to the State Treasury. These amounts are not available to the agency for expenditure and are, therefore, not included on Statement B but are detailed on Schedule 4.

Payroll Clearing Fund - The Payroll Clearing Fund is used to account for payroll deductions and accrued benefits.

The non-appropriated funds relating to Major State Revenues, Income Not Available and Payroll Clearing are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

For purpose of this statement presentation, collections in excess of Appropriated Means of Financing are not considered income not available and therefore are included on Statement B.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Office of Risk Management are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

Revenues - State General Fund and Interim Emergency Board appropriations are recognized as the net amount warranted during the fiscal year including the 45 day close period.

Fees and self-generated revenues, interagency transfers, federal funds, intrafund revenues, non-appropriated revenues, and other financing sources (with the exception of agency funds) are recognized in the amounts earned, to the extent that they are both measurable and available.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recorded as expenditures when paid.

B. IMPREST FUNDS

The agency maintains a permanent Travel and Petty Cash Imprest Fund in the amount of \$ 8,500.00 as authorized by the Commissioner of Administration and advanced by the State Treasurer's Office in accordance with Title 39. The funds are permanently established and periodically replenished from agency operating funds when expenditure vouchers are presented.

C. LEAVE

1. ANNUAL AND SICK LEAVE

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. The liability for unused annual leave payable at June 30, 2004 computed in accordance with the

Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$519,524.75. The leave payable is recorded in the accompanying financial statements.

2. Compensatory Leave (Non-Exempt Employees)

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2004 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$ 7.03. The leave payable is recorded in the accompanying financial statements.

D. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS PER GASB 12

LRS 42:821 through 42:880 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the Office of Risk Management agency to provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the agency's employees become eligible for those benefits if they reach normal retirement age while working for the agency. Monthly premiums are paid jointly by the employees and the employer (from the agency appropriation) for both retirees' and active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMOs authorized by Group Benefits. The agency recognizes the cost of providing benefits as an expenditure when paid during the year. For the year ended June 30, 2004 the costs of retirees' benefits totaled \$ 166,478.56, while the number of retirees is 32. (As defined by the GASB Statement 12, dependents of a retiree should be counted as a single unit if the retiree is deceased and should not be counted if the retiree is alive.) The cost of retirees' benefits is net of participant's contribution.

E. LEASE AND RENTAL COMMITMENTS

Lease agreements, if any, have non-appropriation exculpatory clauses that allow lease cancellation if the Legislature does not make an appropriation for its continuation during any future fiscal period. Total operating lease expenditures for fiscal year 2003 - 2004 amounted to \$ 60,700.15.

1. OPERATING LEASES

Operating leases are all leases which do not meet the criteria of a capital lease. Operating leases are grouped by nature (i.e. office space, equipment, etc.) and the annual rental payments for the next five fiscal years are presented in the following schedule.

<u>Nature of lease</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY 2010-2014</u>
	\$ <u>60,700.15</u>	\$ <u>60,700.15</u>	\$ <u>60,700.15</u>	\$ <u>60,700.15</u>	\$ <u>60,700.15</u>	\$ <u>303,500.75</u>

a. Office space						
b. Equipment						
c. Land						
d. Other						
Total	\$ 60,700.15	\$ 60,700.15	\$ 60,700.15	\$ 60,700.15	\$ 60,700.15	\$ 303,500.75

Rental expense for operating leases with scheduled rent increases is based on the relevant lease agreement except in those cases where a temporary rent reduction is used as an inducement to enter the lease. In those instances, rental expense is determined on either a straight-line or interest basis over the term of the lease, as required by GASB 13, and not in accordance with lease terms. The agency does not have leases with scheduled rent increases due to temporary rent reductions used as an inducement to enter the lease.

F. PAYROLL AND RELATED BENEFITS ACCRUAL

Agencies are required to reflect the 2003-2004 accrued personal services cost for this fiscal year on the accompanying financial statement. The following schedule aids in doing so. As most agency units pay their employees biweekly this would require a fiscal year 2002-03 accrual calculation based on six (6) days and the fiscal year 2003-04 calculation will be based on eight (8) days.

	<u>FY 2002-03</u>	<u>FY 2003-04</u>
1. 07/11/03 Payroll (gross & related)	\$ <u>232,715.95</u>	
2. 07/09/04 Payroll (gross & related)	X 60.0%	\$ <u>202,830.57</u> X 60.0%
2a. Payroll accrual	<u>139,629.57</u>	<u>162,264.46</u>
2b. Add voids and supplementals (off cycle) paid in the 45 day close with prior year appropriations.		
3. Total payroll accruals	\$ <u>139,629.57</u>	\$ <u>162,264.46</u>
4. Estimated federal receivable attributed to the accrual shown above	\$ <u>0.00</u>	\$ <u>0.00</u>

Total Agency Expenditures

5. Total programs from Schedule 1	\$141,904,513.72
6. Less: 2002-03 accrual from line 3, column 1 above	(139,629.57)
6a. Less: 2002-03 accrual from schedule 3-1	6,883,953.07
7. Plus: 2003-04 accrual from line 3, column 2 above	162,264.46
Less : Expense for reinsurance	
8. To Statement B (this should be the total for <u>all</u> programs)	<u>\$135,757,766.06</u>

Total Federal Revenue

9.	Federal Funds from Schedule 3, column VIII, line A or Schedule 3-1, column V, line 1	_____
10.	Less: 2000-01 accrual from line 4, column 1 above	_____
11.	Plus: 2001-02 accrual from line 4, column 2 above	_____
12.	To Statement B (line 4) Federal Funds	\$ <u> </u>

G. RESERVE FOR CONTINUING OPERATION(S)

The Unit is by statute allowed to retain residual fund balance in order to finance future operations. For the fiscal year ended June 30, 2004 \$30,990,676.84 as the amount reserved.

<u>Office/Fund</u>	<u>Louisiana Revised Statutes</u>	<u>Reserve for Continuing Operations</u>
<u>Self-Insurance Fund</u>	<u>39:1533</u>	<u>\$ 21,259,724.91</u>
<u>Future Medical Fund</u>	<u>39:1533.2</u>	<u>9,730,951.93</u>
Total		<u>\$30,990,676.84</u>

H. Liabilities for Claims and Claims Expenses

Louisiana is on the modified accrual basis. This means that expense is recognized when it becomes measurable and payable and is consequently reflected on Statements 1, 3, and 4, for example. Under GASB 34, we must also reflect those expenses which have become measurable regardless of when payable. Show in the table below those gross expenditures you have incurred which are not reflected on any of the aforementioned schedules. Show by funding source and object category.

Funding Source (list by name):	Organization #	Object	Amount
Federal:			\$
Self-Generated:			
Claims Liabilities		3650	\$1,117,176,239
Premium Overpayment		1935	56
Major State Revenue:			
Total GASB 34 accruals (gross)			<u>1,117,176,295</u>
Less: Allowance for estimated recoveries			<u>4,299,754</u>
GASB 34 liability adjustment net of estimated recoveries			<u>\$1,112,876,541</u>
Amount included above not expected to be paid in one year			<u>\$ 1,001,240,754</u>

ADDENDUM TO THE NOTES TO THE CAFR

1. A description of the risks of loss to which the state is exposed and the ways in which those risks of loss are handled.

There are four basic types of risks to which the State is exposed. Loss can occur as a result of (1) damage to property, (2) loss of property, (3) loss of income or increased costs because of damage to or loss of property, and (4) liability to others as a result of injury to persons or property. These four main types of risks are not mutually exclusive, they are interrelated. Many accidents and claims involve losses in several risk areas.

Risk Management is a process for identifying and controlling risks. Until the mid 70's, the traditional method of minimizing losses was to transfer risk to a commercial insurance company. Over the years, the State has been pushed toward self-insurance because of increases in insurance premiums and policy cancellations by commercial insurance companies. Now the Office of Risk Management handles the risks to which the State is exposed through a program that includes self insurance to a specific level and excess commercial insurance above that level. The \$ limits will vary according to coverage.

The best way to insure against loss, however, is through loss prevention and safety programs. Such programs help minimize losses, save money, and most importantly, protect state employees and citizens. The Office of Risk Management aggressively pursues loss prevention through its own Loss Prevention Unit.

2. A description of any significant reductions in coverage from the prior year and whether settlements exceeded coverage for each of the three preceding fiscal years.

There were no significant reductions in coverage during FY 03/04.

During the last four fiscal years, there were no claims that exceeded coverage.

There have been significant changes in case law which will have had adverse impact on the state's liability in general liability claims. On September 3, 1993, the Supreme Court of Louisiana, per case No. 93-C-0472, reversed a lower court's decision in applying Louisiana Revised Statute 13:5106 (B)(1) which provides that "(I) any suit for personal injury, the total amount recoverable, exclusive of medical care and related benefits and loss of earnings, and loss of future earnings, as provided in this Section, shall not exceed five hundred thousand dollars (\$500,000)." The Supreme Court held that the ceiling contravenes the constitutional proscription against sovereign immunity contained in LSA - Constitution, Article XII, § 10. As a result of this ruling, the \$500,000 ceiling on general damages in a personal injury suit was removed and the State of Louisiana faced larger exposure in suits of this nature. This action is still having an adverse effect on claims reserves.

In 1995, the Louisiana electorate ratified a constitutional amendment authorizing the Legislature to cap liability. The result was tort reform acts passed by the Legislature which

places a cap on general damages of \$500,000 with no cap on special damages , and limits joint and solidary liability to a tort feisor's allocated degree of fault.

On May 9, 1996, Act No. 63, known as the "Louisiana Governmental Claims Act", was approved by the governor. This act placed limits on all suits for personal injury and wrongful death. The act states "the total amount recoverable, including all derivative claims, exclusive of property damages, medical care and related benefits and loss of earnings, and loss of future earnings, shall not exceed five hundred thousand dollars." This tort reform, although not retroactive on open cases, will have an effect on future claims by a reduction of costs.

3. The basis for estimating unpaid claim liabilities.

The philosophy relevant to ORM's reserving policy is based on the best determination of the State's exposure taking into consideration the severity of the injury and the comparative fault if applicable. In those cases where suit has been filed, the attorney is requested to evaluate the State's exposure as early as possible in order to establish a proper reserve.

Workers Compensation reserves are based on exposure determined by the severity of injury, age of claimant, education or lack of it, and potential for return to employment.

4. The carrying amount of unpaid claims liabilities included in the comprehensive annual financial statements of the State of Louisiana at present value and range of rates used to discount them.

Prior to FY 91/92, ORM discounted claim liabilities on year end statements. Beginning in FY 91/92, the State Legislature passed an Appropriation Bill that cut ORM's funding by 99%. This was repeated in FY 92/93. For FY 93/94, ORM received funding of approximately 50% of what is needed on a cash basis. In FY 94/95 ORM received funding of approximately 70% of what is needed on a cash basis. In FY 95/96 ORM received funding of approximately 80% of what is needed on a cash basis, which included a general fund appropriation of \$10,488,526 towards deficit reduction. In FY 96/97, 97/98, 98/99, 99/00, and 00/01 ORM received funding of approximately 75% of what is needed on a cash basis. In FY 01/02, ORM received funding of approximately 53% of what was needed on a cash basis. As a result of the lack of funding over the past fiscal years, ORM's cash reserves have been depleted. Because of the lack of funding, ORM discontinued discounting and has not discounted the present value of claim liabilities since FY 89/90.

The provision for losses and loss adjustment expenses includes paid and unpaid claims and expenses associated with settling claims, including legal fees. The liability for unpaid losses and loss adjustment expenses is based on claims adjusters' evaluations of individual claims and management's evaluation and an actuarial review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims, including the effects of inflation and other economic factors. Adjustments resulting

from the settlement of losses are reflected in earnings at the time the adjustments are determined.

The present value of reserves for claim liabilities for FY 03/04 as reported on the financial statements totals \$1,124,901,104. A further breakdown of this total follows:

	Total Reserves	Net of Estimated Recoveries
Current	\$7,724,865	\$7,724,865
Long-Term	\$1,117,176,239	\$1,112,876,485
Total	\$1,124,901,104	\$1,120,601,350

Changes in Aggregate Claims Liabilities

	Beg of F/Y Liab	Claims & Changes in Est	Claim Payments	Est. Recov from settled & unsettled claims	Balance @ F/Y
1992-93	\$642,395,392	\$139,040,811	(\$113,665,754)	(\$50,031)	\$667,720,418
1993-94	\$667,720,418	\$228,995,905	(\$53,916,903)	(\$345,195)	\$842,454,225
1994-95	\$842,454,225	\$265,288,947	(\$89,878,735)	(\$345,849)	\$1,017,518,588
1995-96	\$1,017,518,588	\$273,810,423	(\$121,308,199)	(\$300,682)	\$1,169,720,130
1996-97	\$1,169,720,130	\$234,558,097	(\$150,597,533)	(\$165,541)	\$1,253,515,153
1997-98	\$1,253,515,153	\$210,274,436	(\$113,374,552)	(\$361,229)	\$1,350,053,808
1998-99	\$1,350,053,808	\$86,940,260	(\$130,637,348)	\$230,425	\$1,306,587,145
1999-00	\$1,306,587,145	\$47,490,493	(\$112,428,805)	\$902,160	\$1,242,550,593
2000-01	\$1,242,550,593	(\$67,365,094)	(\$137,702,150)	\$1,295,008	\$1,038,778,357
2001-02	\$1,038,778,357	\$136,971,803	(\$132,546,479)	\$102,913	\$1,043,306,594
2002-03	\$1,043,306,594	\$153,529,274	(\$108,999,720)	\$154,517	\$1,087,990,665
200304	\$1,087,990,665	\$157,975,875	(\$123,022,344)	\$(2,342,846)	\$1,120,601,350

The cumulative total of estimated recoveries at June 30, 2004 is \$4,299,754. Claims payments include all allocated loss adjustment expenses including legal expense and are net of actual recoveries on settled and unsettled claims.

- The aggregate amount of claims liabilities outstanding for which annuity contracts were purchased in claimants' names and for which related liabilities have been removed from the balance sheet.

From time to time the Office of Risk Management purchases annuities as partial settlements of certain claims. The payment of the annuities to the claimants is made over a period of time by 3rd party trustees.

At June 30, 2004 there are 107 active annuities. The outstanding amount due on these 107 annuities as of June 30, 2004 was \$225,353,310.46. Of the 107 annuities, 94 contain wording which releases ORM from any and all future liability on the claims. The remaining liability, on the 13 which do not contain the wording necessary to release ORM from any possible future liability, totals \$36,130,090.97. At June 30, 2004 the total amount of annuities purchased was \$41,647,465.97.

During the fiscal period the general appropriations/ancillary auxiliary fund type employs encumbrance accounting to assure compliance with annual appropriation acts.

The Auxiliary Appropriation funds are allowed to retain excess resources to fund future program expenses as a restricted fund balance. The non-appropriated funds are not subject to budgetary control.

Comparisons to Other States

Comparison of Immunity and Statutory Caps by State		
STATE	IMMUNITY	STATUTORY CAPS
Alabama	Total Gov. Immunity (Alabama enjoys state sovereign immunity from suit, granted by Article I, Section 14 of the Alabama Constitution.)	No (\$100,000 on other governmental entities Ala Code 11-93-2)
Alaska	Limited or Partial (AS 09.50.250)	No
Arizona	No Immunity	No
Arkansas	Total (A.C.A. § 21-9-301)	None
California	No Immunity	No
Colorado	Limited or Partial (C.R.S. § 24-10-106)	For any injury to one person in any single occurrence \$150,000; For an injury to two or more persons in any single occurrence \$600,000, except that, in such instance, no person may recover in excess of \$150,000. (C.R.S. § 24-10-114(1)(a))
Connecticut	Partial; (Actions must be authorized by Claims Commissioner)	No
Delaware	State-Full; (Del Code Title 10 § 4001) Employee-Partial (Del Code Title 10 § 4013)	Del Code Ann title 10 § 4013 Limitation on damages. Claim for and award of damages, including costs, against both a political subdivision and its employees, shall not exceed \$300,000 for any and all claims arising out of a single occurrence, except insofar as the political subdivision elects to purchase liability insurance in excess of \$300,000 in which event the limit of recovery shall not exceed the amount of the insurance coverage.
Florida	Limited or Partial	Fla Stat § 768.28(5) cannot exceed \$100,00 for one person or \$200,000 for all arising out of the same occurrence.
Georgia	Limited or Partial	Code of Georgia Ann Title 50-20-29 no person shall recover a sum exceeding \$1 million because of loss arising from a single occurrence, regardless of the number of state government entities involved; and the state's aggregate liability per occurrence shall not exceed \$3 million. The existence of these caps on liability shall not be disclosed or suggested to the jury during the trial of any action brought under this article.
Hawaii	Limited or Partial	§661-11 Tort claims against State where covered by insurance. State's liability under this section shall not exceed the amount of, and shall be defrayed exclusively by, the primary insurance policy. §662-2 Waiver and liability of State. The State hereby waives its immunity ...but shall not be liable for interest prior to judgment or for punitive damages. [L 1957, c 312, pt of §1; Supp, §245A-2; HRS §662-2; am L 1972, c 164, §2(a)] \$375,000 - Pain & Suffering (with exceptions)
Idaho	Limited or Partial	\$500,000 CSL
Indiana	Limited or Partial	Ind Code § 34-4-16.5-4 combined aggregate liability of all governmental entities may not exceed \$300,000 for injury to or death of one person in any one occurrence not to exceed \$5,000,000 per occurrence
Iowa	None	No
Kansas	Limited or Partial	Yes
Kentucky	Total	\$100,000
Louisiana	No Immunity	\$500,000 General Damages per Individual (eff 7/1/96).
Maine	Limited or Partial	\$400,000 per occurrence.
Maryland	Limited or Partial	\$200,000 per claimant per claim.

Comparisons to Other States (continued)

Comparison of Immunity and Statutory Caps by State		
STATE	IMMUNITY	STATUTORY CAPS
Michigan	Limited or Partial	\$1,000,000 per occurrence
Minnesota	Limited or Partial	\$300,000 BI & PD per person; \$1,000,000 per occurrence.
Mississippi	Limited or Partial	\$500,000
Missouri	Limited or Partial	\$300,000 per claimant; \$2,000,000 per occurrence.
Montana	Limited or Partial	\$750,000/\$1,500,000
Nebraska	Limited or Partial	No
Nevada	Limited or Partial	\$50,000 (cause of action)
New Hampshire	Limited or Partial	\$250,000/\$2,000,000
New Jersey	Limited or Partial	No
New Mexico	Limited or Partial	\$400,000 per person (non-medical), \$300,000 per occurrence (medical), \$100,000 per occurrence PD; \$1,050,000 grand total maximum per occurrence.
New York	No	No
North Carolina	Limited or partial	\$500,000 per claimant, unlimited per occurrence
North Dakota	Limited or Partial	\$250,000 per claim; \$1,000,000 per occurrence.
Oklahoma	Limited or Partial	up to \$175,000 per person occurrence/1 m
Oregon	Limited or Partial	\$50,000 Property; \$100,000/\$500,000 General Damages
Pennsylvania	Limited or Partial	\$250,000 per person; \$1,000,000 per occurrence
Rhode Island	Limited or Partial	\$100,000 Governmental Activities
South Carolina	Limited or Partial	\$300,000 per claim; \$600,000 per occurrence.
South Dakota	Total from discretionary acts but not ministerial acts	No
Tennessee	Limited or Partial	Tenn. Code Ann. § 9-8-307(e) (Supp. 1997) (limiting liability to \$300,000 per claimant and \$1 million per occurrence).
Texas	Total	Limits of Liability for Governmental Units a. State government liability for personal injury and death is limited to \$250,000 per person, \$500,000 per occurrence. Civ. Prac. & Rem. Code § 101.023(a). b. Local governmental units are liable for \$100,000 per person, \$300,000 for each occurrence. Civ. Prac. & Rem. Code § 101.023(b). c. Municipalities' liability for personal injury and death is limited to \$250,000 per person, \$500,000 per occurrence. Civ. Prac. & Rem. Code § 101.023(c). d. Exemplary damages are not allowed. Civ. Prac. & Rem. Code § 101.024.
Utah	Limited or Partial	\$500,000 per person/\$1,000,000 per occurrence BI; \$200,000 PD.
Vermont	Limited or Partial	\$250,000 per person/\$1 Million per occurrence
Virginia	Limited or Partial	Yes
Washington	No Immunity	No
West Virginia	Limited or Partial	None
Wisconsin	Total	\$250,000 per claimant/per defendant.
Wyoming	Limited or Partial	\$250,000 per claimant /\$500,000 per occurrence, all claimants & Claims
6 states have total immunity 34 have limited or partial immunity 6 states, including Louisiana, have no immunity		